

Philip Morris U.S.A.
Materials Purchasing

DIRECT MATERIALS BUYING PLANS

1993

Confidential

Distribution:

- R. D. Latshaw
- T. R. Campbell
- R. D. Kelly (2)
- H. M. Groth
- S. E. Packer
- D. A. Davis
- F. W. Forsmark
- J. R. Gugino
- J. Y. Lewis
- B. F. Long
- A. T. Polson, Jr.
- L. L. Robinson
- D. P. Ward

2051293662

TABLE OF CONTENTS

CIGARETTES COMPONENTS (Section A)

Filter Tow	A1 - A16
Triactein Plasticizer	A17 - A26
Coconut Carbon	A27 - A37
Activated-Coal Carbon	A38 - A46
Plug Wrap	A47 - A50
Mouthpiece Paper	A51 - A59
Cigarette Paper	A60 - A63
Adhesives	A64 - A67
Base Tipping Paper	A68 - A76

PACKAGING (Section B)

Laminated Aluminum Foil	B1 - B8
Innerframe	B9 - B15
FTB's	B16 - B23
Labels	B24 - B33
Closures	B34 - B44
Polypropylene Film	B45 - B53
Tear Tape	B54 - B59
Cartons	B60 - B76
Corrugated Cases	B77 - B84

CHEMICALS & FLAVORS (Section C)

Shiloh	C1 - C7
Police	C8 - C15
Petreo	C16 - C21
Cochise	C22 - C28
SDA-4 Ethanol	C29 - C38
Glen	C39 - C50
Casing 70	C51 - C62
Sagno	C63 - C71
Cagno	C72 - C77
Bagno	C78 - C84
Potassium Sorbate	C85 - C94
Carbon Dioxide	C95 - C104
Aqua Ammonia	C105 - C112

2051293663

CHEMICALS & FLAVORS (Section C) (Continued)

DAP	C113 - C122
Candy	C123 - C132
Lass	C133 - C140
Urea	C141 - C148
Isosweet	C149 - C159
P.M. Flavor S-600	C160 - C168
Dispersant 100-PG	C169 - C176
P.M. Flavor 122742	C177 - C185

ENERGY (Section D)

Coal	D1 - D9
Fuel Oil	D10 - D27
Natural Gas	D28 - D38

2051293664

TOW & ADDITIVES

2051293665

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 05 Description Filter Tow **REDACTED**
Unit of Measure lb. Std. Cost \$ 1.649 Est. \$ Purchase
Est. Usage 101,500,000 Est. Purch. Quantity 101,500,000 **REDACTED**

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Eastman	REDACTED		REDACTED		2 - Fast Flow	REDACTED
2. Hoechst Celanese	REDACTED		REDACTED		2 - Fast Flow	
3. Rhodia	0		0			
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED		REDACTED			

* 1. Contract 2. Purchase Order 3. Other Blanket P.O. - Fast Flow

EXPLANATION

The 1993 projected volume is based on a sales forecast of 331 billion cigarettes.

9998621902

Page 1 of 16
Class/Code 05-Filter Tow
Approval *JB Johnson* *RD Kelly* Date: 1/30/92
Prepared By B. B. Johnson Date:

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.
PROJECTED 1993 SAVINGS: \$ 985,335.00

STRATEGIES:

TIMETABLE

1. Convert the total FT222 requirement to 2.6DPF/39,000TD. This specification change is projected to reduce filter tow usage by approximately 5%.

March/93

1993 Forecast for FT222 = 12,090,000 lbs.
Annualized Savings = \$985,335.00
Monthly Savings = \$82,111.00

A-2

OTHER ISSUES:

This change is dependant on Operation Service's ability to duplicate the current filter performance.

205129366Z

Page 2 of 16
Class/Code 05/Filter Tow

OBJECTIVES/STRATEGIES

PURCHASING OBJECTIVES:

1. The primary objective is establishing long-range buying programs for 1993.
2. Reduce PM/Supplier cost.

STRATEGIES TO MEET OBJECTIVES:

- 1a. Promote a long-range buying program with Hoechst Celanese and Eastman:
 - Only allow cost driven price adjustments
 - Solicit volume sensitive programs
- 1b. Maintain an internal database to track the worldwide supply and demand for filter tow and its raw materials.
- 1c. Promote competitive delivered pricing and U.S. storage for the Rhodia filter tow to improve competitiveness and to gain technology.
2. Eliminate all non-value added procedures.

FUTURE SUPPLY OUTLOOK:

- The worldwide supply for filter tow is currently exceeding demand. The short-term and long-term availability of filter tow is driven by China's filter tow demand.
- China's filter tow consumption is forecasted to grow at a rate of 4% to 5% per year for the next five years.
- The long-term impact of environmental cost on filter tow pricing.

6998671902

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		Eastman	Hoechst Celanese	
	USING LOCATION		All Locations	All Locations	
<u>30</u>	A. COST FACTORS		(FT107)	(FT107)	
	1. DELIVERED COST/#		1.64/lb.	1.64/lb.	
	50		(5)	(5)	
	10	2. VOLUME INCENTIVES	(1)	(1)	
	10	3. COST SAVINGS PROVIDED	(3)	(3)	
	20	4. PRICE LEADERSHIP	(5)	(1)	
	TOTAL COST RATING		3.9	3.1	
<u>30</u>	B. QUALITY FACTORS				
	1. % REJECTS		.035%	.04%	
	40		(5)	(5)	
	20	2. QUALITY CONTROL	(5)	(5)	
	40	3. PROCESSABILITY/ MACHINABILITY	(5)	(5)	
	TOTAL QUALITY RATING		(5.0)	(5.0)	
<u>20</u>	C. TOTAL SERVICE RATING		(4.9)	(4.6)	
<u>20</u>	D. TOTAL SECURITY RATING (SEE PAGE(S) 4)		(4.0)	(3.9)	
100%	OVERALL RATING		4.5	4.1	

A-5

0498621902

SECURITY EVALUATION

WEIGHT	SUPPLIER	Eastman	Hoechst Celanese	
<u>10</u>	D. SECURITY 1. RAW MATERIALS	(4)	(3)	
<u>15</u>	2. CAPACITY	(3)	(3)	
<u>5</u>	3. FLEXIBILITY	(5)	(5)	
<u>10</u>	4. SUPPLIER INVENTORY	(4)	(4)	
<u>10</u>	5. PLANTS & LOCATIONS	(4)	(4)	
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	(5)	(4)	
<u>5</u>	7. ENERGY	(5)	(5)	
<u>5</u>	8. EPA COMPLIANCE	(4)	(4)	
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 8)	(3)	(4)	
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(4)	(4)	
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	(5)	(5)	
100%	TOTAL SECURITY RATING	4.0	3.9	

A-6

1298621902

Page 6 of 16
Class Code 05-Filter Tow

SECURITY EVALUATION

WEIGHT	SUPPLIER	Eastman		
<u>10</u>	D. SECURITY 1. RAW MATERIALS	Wood pulp -1) Rayonier-Ga. and Florida; 2) International Paper-Miss.; 3) Western Pulp-Canada; 4) Weyerhaeuser-Washington; 5) P&G Cellulose-Fla. Inventory - 4 weeks; Acetic Anhydride - captive; Acetone - captive Flake - 2 weeks		
<u>15</u>	2. CAPACITY	Flake - 450 M lbs. Tow - 312 M lbs. Buying Plan Volume = 13%	Percentage available to PM is not fixed.	
<u>5</u>	3. FLEXIBILITY	Good response time		
<u>10</u>	4. SUPPLIER INVENTORY	2 weeks		
<u>10</u>	5. PLANTS & LOCATIONS	Kingsport, Tenn Plant/Equipment Good		
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	None		
<u>5</u>	7. ENERGY	Coal/Electrical Back-Up		
<u>5</u>	8. EPA COMPLIANCE	**		
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 8)			
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH			
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT			
100%	TOTAL SECURITY RATING			

** No threatening environmental issues

Page 7 of 16
Class Code 05-Filter Tow

2298621902

SECURITY EVALUATION

WEIGHT	SUPPLIER	Hoechst Celanese		
<u>10</u>	D. SECURITY 1. RAW MATERIALS	Wood Pulp-2 Suppliers-Rayonier-Ga. & Washington & Int'l Paper-Miss. Weyerhaeuser-Washington, Western Forest-Canada. Inv.-4-6 wks. Acetic Anhydride-HC manufactured in TX., VA., and S.C. (Inventory 1 month) Acetone - many suppliers, PA, OH, IN., (Inventory 1 month)		
<u>15</u>	2. CAPACITY	Flake - 500 M lbs. Tow - 197 M lbs. Buying Plan Volume = 30%	Percentage available to PM is not fixed.	
<u>5</u>	3. FLEXIBILITY	Excellent response time		
<u>10</u>	4. SUPPLIER INVENTORY	(A) Policy 2 weeks (B&C) Policy Up to 2 weeks		
<u>10</u>	5. PLANTS & LOCATIONS	Narrows, Va Plant/Equipment Good		
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	Amalgamated Clothing and Textile Workers Union June 19, 1995 Good		
<u>5</u>	7. ENERGY	Coal/Fuel Oil Powered Electric Generating Equip.		
<u>5</u>	8. EPA COMPLIANCE	**		
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 8)			
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH			
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT			
100%	TOTAL SECURITY RATING			

** No threatening environmental issues

8298621902

Page 8 of 16
Class/Code 05-Filter Tow

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Hoechst Celanese	1991	1990	1989
--------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	2,422	2,123	2,227
2. Enter Current Liabilities	1,487	1,399	1,522
3. Current Ratio (Line 1/Line 2)	1.629	1.517	1.463

DEBT TO ASSETS RATIO:

1. Enter Total Debt	752	741	803
2. Enter Total Assets	6,630	6,082	6,062
3. Debt To Assets Ratio (Line 1/Line 2)	.113	.122	.132

PROFIT MARGIN ON SALES:

1. Enter Net Income	172	201	267
2. Enter Sales	6,794	5,881	6,016
3. Profit Margin On Sales (Line 1/Line 2)	2.5%	3.4%	4.4%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	172	201	267
2. Enter Total Assets	6,630	6,082	6,062
3. Return On Total Assets (Line 1/Line 2)	2.6	3.3%	4.4%

EARNINGS PER SHARE:

_____	_____	_____
-------	-------	-------

CONFIDENTIAL..Not to be removed from Philip Morris Materials Purchasing Department.

Page 9 of 16
Class/Code 05/Filter Tow

2051293674

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Hoechst Celanese	1988		
--------------------------	------	--	--

CURRENT RATIO:

1. Enter Current Assets	1,886		
2. Enter Current Liabilities	1,302		
3. Current Ratio (Line 1/Line 2)	1.449		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	8.4		
2. Enter Total Assets	5,708		
3. Debt To Assets Ratio (Line 1/Line 2)	.143		

PROFIT MARGIN ON SALES:

1. Enter Net Income	250		
2. Enter Sales	5,679		
3. Profit Margin On Sales (Line 1/Line 2)	4.4%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	250		
2. Enter Total Assets	5,708		
3. Return On Total Assets (Line 1/Line 2)	4.4		

EARNINGS PER SHARE:

--	--	--

9298671902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Eastman Chemical Company	1988		
----------------------------------	------	--	--

CURRENT RATIO:

1. Enter Current Assets	8,684		
2. Enter Current Liabilities	5,850		
3. Current Ratio (Line 1/Line 2)	1.48		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	16,184		
2. Enter Total Assets	22,964		
3. Debt To Assets Ratio (Line 1/Line 2)	70		

PROFIT MARGIN ON SALES:

1. Enter Net Income	1,397		
2. Enter Sales	17,034		
3. Profit Margin On Sales (Line 1/Line 2)	8.2%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	1,397		
2. Enter Total Assets	22,964		
3. Return On Total Assets (Line 1/Line 2)	6.1%		

EARNINGS PER SHARE:

4.31		
------	--	--

9298621902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Eastman Chemical Company	1991	1990	1989
----------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	8,258	8,608	8,591
2. Enter Current Liabilities	6,899	7,163	6,573
3. Current Ratio (Line 1/Line 2)	1.20	1.20	1.31

DEBT TO ASSETS RATIO:

1. Enter Total Debt	18,066	17,388	17,010
2. Enter Total Assets	24,170	24,125	23,652
3. Debt To Assets Ratio (Line 1/Line 2)	0.75	0.72	.72

PROFIT MARGIN ON SALES:

1. Enter Net Income	*17	703	529
2. Enter Sales	19,419	18,908	18,398
3. Profit Margin On Sales (Line 1/Line 2)	0.09%	3.7%	2.8%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	*17	703	529
2. Enter Total Assets	24,170	24,125	23,652
3. Return On Total Assets (Line 1/Line 2)	0.07%	2.9%	2.2%

EARNINGS PER SHARE:

2298621902

0.05	2.17	1.63
------	------	------

*After deducting \$1,605 million of restructuring cost associated with the Resource Redeployment and Retirement plan which reduced net earning by \$1,032 million.

Page 12 of 16
Class Code 05/Filter Tow

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
SUPPLIER	%	%	%	%	%	%
Eastman	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Hoechst Celanese	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Rhodia	0.1	0.5	3.4	0.46	0	0

A-13

R: REDACTED MATERIAL

8298621902

Eastman Savings

1. Conversion from FT107 to 2.7/35,000 on the full value brands resulted in a three percent reduction in tow usage.

1992 Total Savings = \$229,960.00

A-14

Page 14 of 16
Class/Code 05-Filter Tow

2051293679

PHILIP MORRIS U.S.A
1992 LONG RANGE BUYING PLAN

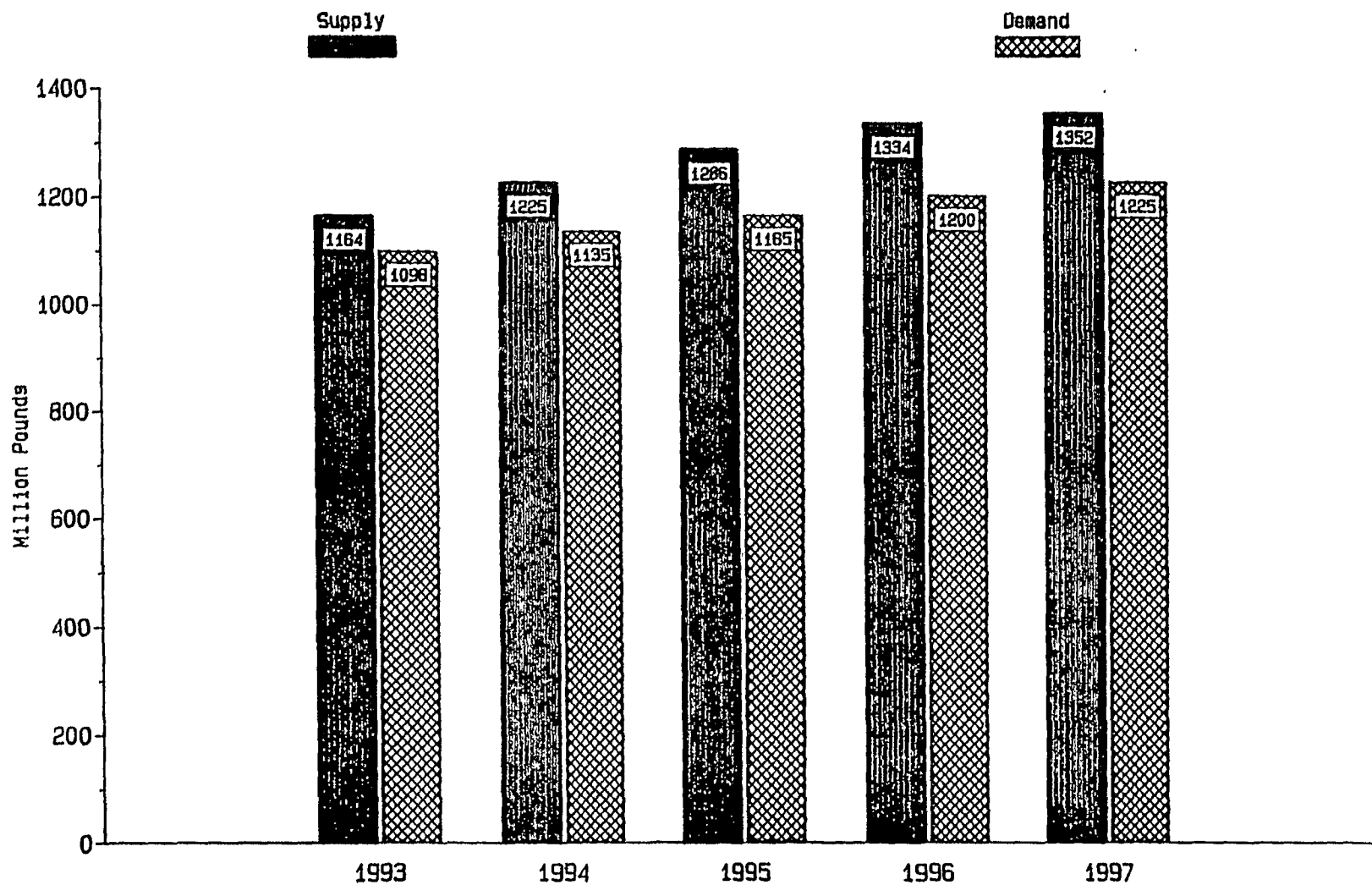
MATERIAL CODE/SUPER CLASS 05 DESCRIPTION FILTER TOW
UNITS OF MEASURE LBS. PRODUCTION FORECAST DATED OCTOBER, 1992

ISSUES: SUPPLY SECURITY

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Filter Tow Supply Forecast (Based on an Average of Eastman and Hoechst Celanese World Supply Forecast)	1164M lbs.	1225M lbs.	1286M lbs.	1334M lbs.	1352M lbs.
A-15 Filter Tow Demand Forecast (Based on an Average of Eastman and Hoechst Celanese World Demand Forecast)	1098M lbs.	1135M lbs.	1165M lbs.	1200M lbs.	1225M lbs.
Hoechst Celanese World Supply	407.7 lbs.	407.7 lbs.	436.5 lbs.	462.9 lbs.	462.9 lbs.
Eastman World Supply	358 lbs.	383 lbs.	395 lbs.	395 lbs.	395 lbs.
PM's Forecasted Utilization of Hoechst Celanese and Eastman Domestic Supply	19.4%	19.1%	17.8%	18.1%	18.3%

0898621902

Worldwide Filter Tow
Supply Vs. Demand



2051293681

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 05-800-A Description Triacetin Plasticizer

Unit of Measure lb. Std. Cost \$.857121 Est. \$ Purchase

Est. Usage 9,246,000 Est. Purch. Quantity 9,246,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Eastman	REDACTED		REDACTED		REDACTED	REDACTED
2. Hoechst Celanese	REDACTED		REDACTED			
3. Unichema	0		200,000	2.2		
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED		REDACTED			

* 1. Contract 2. Purchase Order (Annual Blanket) 3. Other

EXPLANATION

Based on a forecast of 329 billion filtered cigarettes.

Page 1 of 10
Class/Code 05-800-A
Approval B. B. Johnson Date: 4/24/93
Prepared By B. B. Johnson Date:

2898621902

R: REDACTED MATERIAL

A-17

OBJECTIVES/STRATEGIES

PURCHASING OBJECTIVES:

1. Supply security continues to be the major objective since the two qualified sources of supply primarily rely on one source of raw material.
2. Maintain the level of quality and pricing consistent with price adjustments for the raw material.
3. Promote Volume Sensitive programs:
 - a. that will reduce the total manufacturing cost
 - b. net a lower delivered price.

STRATEGIES TO MEET OBJECTIVES:

1. Establish a specification for synthetic and natural glycerine based triacetin that will allow interchangeable usage in all locations.
2. Qualify Hoechst Celanese and Unichema's triacetin produced from 100% natural glycerine.
3. Use Unichema's presence to promote competition.

FUTURE SUPPLY OUTLOOK:

Triacetin capacity is adequate for future needs. However, the long-term supply availability of synthetic glycerine is questionable.

Dow Chemical Co. continues to control the supply availability for synthetic glycerine in the U.S.A. due to their flexibility of shifting the output from glycerine to Epichlorohydrin. Dow tends to use this mechanism to control pricing when necessary. Pricing erosion and new natural glycerine capacity are forecasted to force Dow to charge a premium for their product or exit the market.

A-18

2051293683

Page 2 of 10
Class Code 05-800-A

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 05-800-A

Unit of Measure LBS.

Description

Forecast Data

Triacetin Plasticizer

October 1992.

	1993			1994			1995			1996			1997		
Supplier Name	Units	%	F	Units	%	F	Units	%	F	Units	%	F	Units	%	F
Hoechst Celanese	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
Easman	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
Unichema*	200,000	2.2	N	950,000	10.0	N	961,100	10.0	N	976,200	10.0	N	987,900	10.0	N
	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		

ISSUES:

- Qualify Natural Glycerine Based Triacetin
- Qualify Unichema as a third source of supply to address the synthetic glycerine security concerns.

* The volume forecasted for Unichema is based on the assumption that the Unichema product will be approved by R & D by 1993. The 1993 volume reflects quantities needed to complete the Unichema qualification.

2051293684

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		Eastman	Hoechst Celanese	
	USING LOCATION		All Locations	All Locations	
25	A. COST FACTORS				
	50	1. DELIVERED COST/#	\$.78/lb. (5)	\$.78/lb (5)	
	10	2. VOLUME INCENTIVES	(1)	(1)	
	20	3. COST SAVINGS PROVIDED	(1)	(1)	
	20	4. PRICE LEADERSHIP	(1)	(1)	
	TOTAL COST RATING		3.0	3.0	
30	B. QUALITY FACTORS				
	50	1. % REJECTS	1.1% (5)	0.95% (5)	
	25	2. QUALITY CONTROL	(4.5)	(4.5)	
	25	3. PROCESSABILITY/ MACHINABILITY	(5)	(5)	
	TOTAL QUALITY RATING		4.9	4.9	
15	C. TOTAL SERVICE RATING		4.7	4.8	
30	D. TOTAL SECURITY RATING (SEE PAGE(S) 6)		4.1	3.9	
100%	OVERALL RATING		4.1	4.1	

5898621902

Page 4 of 10
Class/Code 05-800-A

2051293686

Page 5 of 10
Class/Code 05-800-A

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Eastman	1991	1990	1989
----------	---------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	8,258	8,608	8,591
2. Enter Current Liabilities	6,899	7,163	6,573
3. Current Ratio (Line 1/Line 2)	1.20	1.20	1.31

DEBT TO ASSETS RATIO:

1. Enter Total Debt	18,066	17,388	17,010
2. Enter Total Assets	24,170	24,125	23,652
3. Debt to Assets Ratio (Line 1/Line 2)	0.75	0.72	.72

PROFIT MARGIN ON SALES:

1. Enter Net Income	*17	703	529
2. Enter Sales	19,419	18,908	18,398
3. Profit Margin On Sales (Line 1/Line 2)	0.09%	3.7%	2.8%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	*17	703	529
2. Enter Total Assets	24,170	24,125	23,652
3. Return on Total Assets (Line 1/Line 2)	0.07%	2.9%	2.2%

Earnings Per Share:

0.05	2.17	1.63
------	------	------

*After deducting \$1,605 million of restructuring cost associated with the Resource Redeployment and Retirement plan which reduced net earnings by \$1,032 million.

Page 6 of 10
Class/Code 05-800-A

2898671907

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Eastman	1988		
----------	---------	------	--	--

CURRENT RATIO:

1. Enter Current Assets	8,684		
2. Enter Current Liabilities	5,850		
3. Current Ratio (Line 1/Line 2)	1.48		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	16,184		
2. Enter Total Assets	22,964		
3. Debt to Assets Ratio (Line 1/Line 2)	.70		

PROFIT MARGIN ON SALES:

1. Enter Net Income	1,397		
2. Enter Sales	17,034		
3. Profit Margin On Sales (Line 1/Line 2)	8.2%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	1,397		
2. Enter Total Assets	22,964		
3. Return on Total Assets (Line 1/Line 2)	6.1%		

Earnings Per Share:

4.31		
------	--	--

8898671902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Hoechst Celanese	1991	1990	1989
----------	------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	2,422	2,123	2,227
2. Enter Current Liabilities	1,487	1,399	1,522
3. Current Ratio (Line 1/Line 2)	1.629	1.517	1.463

DEBT TO ASSETS RATIO:

1. Enter Total Debt	752	741	803
2. Enter Total Assets	6,630	6,082	6,062
3. Debt to Assets Ratio (Line 1/Line 2)	.113	.122	.132

PROFIT MARGIN ON SALES:

1. Enter Net Income	172	201	267
2. Enter Sales	6,794	5,881	6,016
3. Profit Margin On Sales (Line 1/Line 2)	2.5%	3.4%	4.4%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	172	201	267
2. Enter Total Assets	6,630	6,082	6,062
3. Return on Total Assets (Line 1/Line 2)	2.6%	3.3%	4.4%

Earnings Per Share:

-----	-----	-----
-------	-------	-------

6898621902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Hoechst Celanese	1988		
----------	------------------	------	--	--

CURRENT RATIO:

1. Enter Current Assets	1,886		
2. Enter Current Liabilities	1,302		
3. Current Ratio (Line 1/Line 2)	1.449		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	8.4		
2. Enter Total Assets	5,708		
3. Debt to Assets Ratio (Line 1/Line 2)	.143		

PROFIT MARGIN ON SALES:

1. Enter Net Income	250		
2. Enter Sales	5,679		
3. Profit Margin On Sales (Line 1/Line 2)	4.4%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	250		
2. Enter Total Assets	5,708		
3. Return on Total Assets (Line 1/Line 2)	4.4%		

Earnings Per Share:

-------	--	--

0698621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	8,416,425	8,852,530	9,249,085	8,812,926	9,330,000	9,246,000
SUPPLIER	%	%	%	%	%	%
Eastman	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Hoechst Celanese	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Unichema	0	0	0	.0	0	2.2

A-26

R: REDACTED MATERIAL

1698621902

1992 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 05-873-A/P Description PMTC (20 x 70 Mesh Coconut Carbon)

Unit of Measure lbs. Std. Cost \$ 1.504737 Est. \$ Purchase DEFERRED

Est. Usage 3,340,000 lbs. Est. Purch. Quantity 3,340,000 lbs.

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Calgon	REDACTED		REDACTED		REDACTED	REDACTED
2. PICA			REDACTED		REDACTED	REDACTED
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED		REDACTED			

* 1. Contract 2. Purchase Order (Annual Blanket) 3. Other _____

Page 1 of 11
Class/Code 05-873-A/P
Approval [Signature] Date: 11/30/92
Prepared By B. B. Johnson Date: _____

2698621902

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

- 1) Supply security is the primary objective since raw material availability is extremely sensitive to political unrest, weather, and demand fluctuations.
- 2) Quality maintenance and competitive pricing.

STRATEGIES TO MEET OBJECTIVES:

- 1a. Continue to support storage of the Pica product in the U.S.A.
- 1b. Requalify the Neville Island activation process.
- 1c. Assure that contingencies are developed by Calgon for their contract period.
2. Promote long-term agreements and volume sensitive programs.

ISSUES:

Short term supply for coconut shell carbon is adequate but the production location for coconut char continues to be a concern.

Calgon is equipped to activate coconut char in Neville Island, Penn., however, it is now time to requalify this facility.

* Calgon is sourced from the Philippines and
Pica from Vietnam and Sri Lanka

Page 2 of 11
Class Code 05-873-A/P

8698671902

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 05-873-A/P

Description PMTC

(20 x 70 Mesh Coconut Carbon)

Unit of Measure LBS.

Forecast Date 10/92

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Calgon	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
PICA	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		

ISSUES:

Supply security and the promotion of competitive pricing.

- Promote volume sensitive/long-term programs.

1698621902

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		Calgon	PICA	
	USING LOCATION		Stockton Street	All Locations	
<u>20</u>	A. COST FACTORS				
	40	1. DELIVERED COST/#	\$1.37 (3)	\$1.39 (2)	
	20	2. VOLUME INCENTIVES	(0)	(0)	
	20	3. COST SAVINGS PROVIDED	(0)	(0)	
	20	4. PRICE LEADERSHIP	(0)	(0)	
	TOTAL COST RATING		(1.2)	(0.8)	
<u>30</u>	B. QUALITY FACTORS				
	50	1. % REJECTS	0.00% (5)	0.00% (5)	
	25	2. QUALITY CONTROL	(5)	(5)	
	25	3. PROCESSABILITY/ MACHINABILITY	(5)	(5)	
	TOTAL QUALITY RATING		(5.0)	(5.0)	
<u>15</u>	C. TOTAL SERVICE RATING		(4.0)	(3.0)	
<u>35</u>	D. TOTAL SECURITY RATING (SEE PAGE(S) 6)		(3.6)	(3.55)	
100%	OVERALL RATING		3.6	3.3	

A-30

9698621202

SECURITY EVALUATION

WEIGHT	SUPPLIER	Calgon		
<u>15</u>	D. SECURITY 1. RAW MATERIALS	Coconut Shell - Philippines and Sri Lanka. Inventory 2-3 months. 30 days of coconut char in Neville Island. (2)		
<u>5</u>	2. CAPACITY	20 M lbs.- Philippines. 40% available to PM. Buying Plan Volume = 11.20% 9 M lbs. - USA. (5)		
<u>10</u>	3. FLEXIBILITY	Two Plants-Philippines - 16 to 31 activation kilns. One Plant - USA. Excellent response time. (5)		
<u>5</u>	4. SUPPLIER INVENTORY	Finished Product 1 - 2 months In process - 1 month (2)		
<u>15</u>	5. PLANTS & LOCATIONS	(1) Neville Island, PA. (2) Cagayan De Oro, Luzon Plant/Equipment - Good Carmona, Philippines (3)		
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	Neville Island, PA United Steelworkers February 1, 1993 Excellent (3)	Philippines Non-Union	
<u>10</u>	7. ENERGY	Natural Gas/Oil (5)		
<u>5</u>	8. EPA COMPLIANCE	(4)		
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 7)	(4)		
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(4)		
<u>5</u>	11. CORPORATE MANAGEMENT COMMITMENT	(4)		
100%	TOTAL SECURITY RATING	3.6		

Note: The two plants operating in the Philippines are owned by PACCO (Pacific Activated Carbon Co.). Calgon provides the technical expertise and the majority of the finished product is sold to Calgon.

Page 5 of 11
Class/Code 05-873-A/P

9698621902

SECURITY EVALUATION

WEIGHT	SUPPLIER	Pica		
<u>15</u>	D. SECURITY 1. RAW MATERIALS	Coconut shell from Sri Lanka, Philippines, Indonesia, Vietnam, and the Ivory Coast. Inventory 3-4 months. (4000 MT)	(2)	
<u>5</u>	2. CAPACITY	20 M lbs. 30% available to PM. Buying Plan Volume = 5.5%	(5)	
<u>10</u>	3. FLEXIBILITY	One Plant with four buildings and nine activation furnaces	(3)	
<u>5</u>	4. SUPPLIER INVENTORY	Finished Product and shipments in route 1 - 1.5 months.	(3)	
<u>15</u>	5. PLANTS & LOCATIONS	Vierzon, France Product warehoused in Charlotte Bonded Distribution	(3)	
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	None	(5)	
<u>10</u>	7. ENERGY	Natural Gas/Elec.	(4)	
<u>5</u>	8. EPA COMPLIANCE		(4)	
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 7)		(4)	
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH		(4)	
<u>5</u>	11. CORPORATE MANAGEMENT COMMITMENT		(4)	
100%	TOTAL SECURITY RATING	3.55		

A-32

2051293697

Page 6 of 11
Class/Code 05-873-A/P

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER Calgon Carbon Corporation	1991	1990	1989
------------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	124	129	129
2. Enter Current Liabilities	46	47	39
3. Current Ratio (Line 1/Line 2)	2.70	2.74	3.31

DEBT TO ASSETS RATIO:

1. Enter Total Debt	*31 **105	*30 **85.3	*22 **72
2. Enter Total Assets	336	285	234
3. Debt to Assets Ratio (Line 1/Line 2)	.092 **0.31	.105 **0.30	.094 **0.31

PROFIT MARGIN ON SALES:

1. Enter Net Income	38	38	35
2. Enter Sales	308	285	253
3. Profit Margin On Sales (Line 1/Line 2)	12.3%	13.3%	13.8%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	38	38	35
2. Enter Total Assets	336	285	234
3. Return on Total Assets (Line 1/Line 2)	11.3%	13.3%	15%

*Adjusted 2/1 stock split in 1991.

.94*

.94

.87

Earnings Per Share:

1.89

1.89

1.74

8698621902

*Debt as reported by Calgon

**PM's Calculation (Total Liabilities Minus Shareholder's Equity)

Page 7 of 11
Class Code 05-873-A/P

A-33

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER Calgon Carbon Corporation	1988	1987	1986
------------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	107		
2. Enter Current Liabilities	35		
3. Current Ratio (Line 1/Line 2)	3.06		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	*31 **75.9		
2. Enter Total Assets	196		
3. Debt to Assets Ratio (Line 1/Line 2)	.158 **39		

PROFIT MARGIN ON SALES:

1. Enter Net Income	29		
2. Enter Sales	226		
3. Profit Margin On Sales (Line 1/Line 2)	12.8%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	29		
2. Enter Total Assets	196		
3. Return on Total Assets (Line 1/Line 2)	14.8%		

Earnings Per Share: 6698621902

1.47		
------	--	--

*Debt as reported by Calgon

**PM's Calculation (Total Liabilities Minus Shareholder's Equity)

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	PICA	1991	1990	1989
----------	------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	56.593	65.722	72.073
2. Enter Current Liabilities	33.169	41.131	39.814
3. Current Ratio (Line 1/Line 2)	1.71	1.59	1.81

DEBT TO ASSETS RATIO:

1. Enter Total Debt	56.723	56.068	56.477
2. Enter Total Assets	98.825	102.096	106.697
3. Debt to Assets Ratio (Line 1/Line 2)	.57	.55	.53

PROFIT MARGIN ON SALES:

1. Enter Net Income	7.087	7.350	8.030
2. Enter Sales	126.125	125.913	116.596
3. Profit Margin On Sales (Line 1/Line 2)	5.61%	5.84%	6.89%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	7.087	7.350	8.030
2. Enter Total Assets	98.825	102.096	106.697
3. Return on Total Assets (Line 1/Line 2)	7.17%	7.20%	7.50%

Earnings Per Share:

1.039	1.147	1.254
-------	-------	-------

0048621902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER	PICA	1988		
----------	------	------	--	--

CURRENT RATIO:

1. Enter Current Assets	62.636		
2. Enter Current Liabilities	31.931		
3. Current Ratio (Line 1/Line 2)	1.96		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	49.197		
2. Enter Total Assets	91.921		
3. Debt to Assets Ratio (Line 1/Line 2)	53.52		

PROFIT MARGIN ON SALES:

1. Enter Net Income	9.071		
2. Enter Sales	107.949		
3. Profit Margin On Sales (Line 1/Line 2)	8.40%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	9.071		
2. Enter Total Assets	91.921		
3. Return on Total Assets (Line 1/Line 2)	9.89%		

Earnings Per Share:

1.416		
-------	--	--

1048621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	1.792M	3.113 M	3.271 M	3.101 M	2.943 M	3.340 M
SUPPLIER	%	%	%	%	%	%
Calgon	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
PICA	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

Specification changes in Dec/1992 consolidated the coconut carbon requirement to one specification. Please reference 05-866-A and 05-870-A for the Buying History of Calgon and PICA, respectively.

Page 11 of 11
Class/Code 05-873-A/P

2051293702

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 05-875-A Description PMCC 14 x 40 Mesh
Unit of Measure lb. Std. Cost \$ 1.445250 Est. \$ Purchase REDACTED
Est. Usage 3,300,000 Est. Purch. Quantity 3,300,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992	Proj. 1993				
	Units	%	Units	%		
1. Calgon	REDACTED		REDACTED		REDACTED	REDACTED
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	3,440,000	100.0	3,300,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____
(Annual Blanket)

EXPLANATION

Page 1 of 9
Class/Code 05-875-A
Approval B. B. Johnson Date: 1/2/92
Prepared By B. B. Johnson Date: _____

2051293702

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1992 SAVINGS: \$ 132,000.00

STRATEGIES

Calgon offered PM the opportunity to enter into a long-term agreement for the activated coal carbon to discourage further consolidated to one carbon specification.

1993 Forecasted Savings = \$132,000.00

1994 Forecasted Savings = \$271,260.00

1995 Forecasted Savings = \$411,650.00

Total Savings = \$814,910.00

TIMETABLE

Jan/1993 - Dec/95

OTHER ISSUES:

1. Development of high speed combiners by Engineering.
2. Long range plans to consolidate to one activated carbon specification.

2051293704

Page 2 of 8
Class Code 05-875-A

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

Establish a long-term agreement to avoid potential price increases through 1995.

STRATEGIES TO MEET OBJECTIVES:

Assure that R & D and Engineering long-term projects will not require a specification change for the Lark carbon through 1995.

A-40

2051293705

Page 3 of 9
Class/Code 05-875-A

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 05-875-A

Description PMCC

14 X 40 Activated Carbon

Unit of Measure LBS.

Forecast Date 10/92

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Calgon	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
Second Source	—	0.0		—	0.0		—	0.0		—	0.0		—	0.0	
	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		

ISSUES:

Qualification of a second source of supply is dependent on future R & D projects.

9028621902

SUPPLIER EVALUATION

	SUPPLIER	Calgon		
WEIGHT	USING LOCATION	M/C, S/S.		
<u>25</u>	A. COST FACTORS			
	60 1. DELIVERED COST/#	\$1.41 (3)		
	— 2. VOLUME INCENTIVES	---		
	40 3. COST SAVINGS PROVIDED	(5)		
	-- 4. PRICE LEADERSHIP	---		
	TOTAL COST RATING		(3.8)	
<u>30</u>	B. QUALITY FACTORS			
	50 1. % REJECTS	0.00% (5)		
	25 2. QUALITY CONTROL	(5)		
	25 3. PROCESSABILITY/ MACHINABILITY	(5)		
	TOTAL QUALITY RATING		(5)	
<u>15</u>	C. TOTAL SERVICE RATING	(4.0)		
<u>30</u>	D. TOTAL SECURITY RATING (SEE PAGE(S) 6)	(4.1)		
100%	OVERALL RATING	4.2		

A-42

2028621902

Page 5 of 9
Class/Code 05-875-A

SECURITY EVALUATION

WEIGHT	SUPPLIER	Calgon		
<u>10</u>	D. SECURITY 1. RAW MATERIALS	High grade metallurgical coal - W.Va. and Kentucky. Inventory 90 days. Long-term supply agreements. (5)		
<u>5</u>	2. CAPACITY	Processing capacity 103 M lbs. 19% available to PM. Buying Plan Vol.= 3.9% No internal requirements. (5)		
<u>10</u>	3. FLEXIBILITY	One processing plant with six activation lines. One plant with 3 furnaces for impregnating. Excellent response time. (5)		
<u>5</u>	4. SUPPLIER INVENTORY	Finished product 15-60 days (5)		
<u>10</u>	5. PLANTS & LOCATIONS	**Catlettsburg, Ky. Product is sized and and activated. (3)		
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	United Steelworkers, Catlettsburg, Ky. June 6, 1993 Neville Island, Penn February 1, 1993 Good (3)		
<u>10</u>	7. ENERGY	Natural Gas/Oil (5)		
<u>10</u>	8. EPA COMPLIANCE	(4)		
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 7)	(3)		
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(4)		
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	(4)		
100%	TOTAL SECURITY RATING	4.1		

** Neville Island, Penn - The product is moistured, screened and packaged.
Plant/Equipment Good.

8048621902

Page 6 of 9
Class/Code 05-875-A

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER Calgon Carbon Corporation	1991	1990	1989
------------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	124	129	129
2. Enter Current Liabilities	46	47	39
3. Current Ratio (Line 1/Line 2)	2.70	2.74	3.31

DEBT TO ASSETS RATIO:

1. Enter Total Debt	*31 **105	*30 **85.3	*22 **72
2. Enter Total Assets	336	285	234
3. Debt to Assets Ratio (Line 1/Line 2)	.092 **0.31	.105 **0.30	.094 **0.31

PROFIT MARGIN ON SALES:

1. Enter Net Income	38	38	35
2. Enter Sales	308	285	253
3. Profit Margin On Sales (Line 1/Line 2)	12.3%	13.3%	13.8%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	38	38	35
2. Enter Total Assets	336	285	234
3. Return on Total Assets (Line 1/Line 2)	11.3%	13.3%	15%

*Adjusted 2/1 stock split in 1991.

.94*

.94

.87

Earnings Per Share:

6048621902

1.89

1.89

1.74

*Debt as reported by Calgon

**PM's Calculation (Total Liabilities Minus Shareholder's Equity)

Page 7 of 9
Class Code 05-875-A

A-44

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

SUPPLIER Calgon Carbon Corporation	1988	1987	1986
------------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	107		
2. Enter Current Liabilities	35		
3. Current Ratio (Line 1/Line 2)	3.06		

DEBT TO ASSETS RATIO:

1. Enter Total Debt	*31 **75.9		
2. Enter Total Assets	196		
3. Debt to Assets Ratio (Line 1/Line 2)	.158 **39		

PROFIT MARGIN ON SALES:

1. Enter Net Income	29		
2. Enter Sales	226		
3. Profit Margin On Sales (Line 1/Line 2)	12.8%		

RETURN ON TOTAL ASSETS:

1. Enter Net Income	29		
2. Enter Total Assets	196		
3. Return on Total Assets (Line 1/Line 2)	14.8%		

Earnings Per Share: 0128621902

1.47		
------	--	--

*Debt as reported by Calgon

**PM's Calculation (Total Liabilities Minus Shareholder's Equity)

[illegible]

2051293711

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 06 Description Plug Wrap
Unit of Measure Bob Std. Cost \$ 11.265 Est. \$ Purchase **REDACTED**
Est. Usage 1,585,421 Est. Purch. Quantity 1,585,421

Supplier Name	Annual Purchases				Commitment (*)	** Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Kimberly-Clark	REDACTED		REDACTED		REDACTED	A
2. Dexter Nonwoven	REDACTED		0	0%		N
3. Ecusta			0	0%		N
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED		REDACTED			

* 1. Contract 2. Purchase Order 3. Other REDACTED

**See summary in the Fine Paper Accessment.

***For review of cost, quality, service, security and financial performance, please see Fine Paper Accessment.

Page 1 of 4

Class/Code 06/Plug Wrap

Approval [Signature]

Prepared By R.D. Kelly

Date: 1/19/92

Date:

2051293712

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 2,200,000.00

STRATEGIES:

TIMETABLE

Feb./93 - Dec./93

- o Generated data base to review all Plug Wrap suppliers' performance in the area of quality, cost, service and security to support the final conclusions in the Fine Paper Assessment.
- o Expedite program implementation.
- o Qualify all remaining non-qualified materials.
- o Assure that the purchasing program is consistent with contract administration.

OTHER ISSUES:

Ecusta's and Dexter's response to loss of business.

Page 2 of 4
Class Code 06/Plug Wrap

8178621902

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 06

Unit of Measure Bobbin

Description

Forecast Date

Plug Wrap

October 1992

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Kimberly-Clark	REDACTED			REDACTED						REDACTED					
	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		

ISSUES:-

Supply security concerns resulting from quality related issues.

2051293714

R: REDACTED MATERIAL

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	1,431,644	1,498,521	1,638,153	1,571,839	1,599,658	1,585,421
SUPPLIER	%	%	%	%	%	%
Kimberly-Clark	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Dexter Nonwoven	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Ecusta	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

R: REDACTED MATERIAL

 Page 4 of 4
 Class/Code 06-Plug Wrap

2051293715

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 06-816-A Description Mouthpiece Paper

Unit of Measure Bob Std. Cost \$ 20.789723 Est. \$ Purchase \$4,636,108.00

Est. Usage 223,000 Est. Purch. Quantity 223,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Milprint	210,690	100	212,650	95.48	2 - Monthly	3.6
2. Hermetite	0		10,350	4.6	-	-
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	210,690	100.0	223,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____
(Annual Blanket)

EXPLANATION

Hermetite's volume represents quantity required to complete their qualification.

Page 1 of 9
Class/Code 06-816-A
Approval [Signature] RD Kelly Date: 1/30/92
Prepared By B.B. Johnson Date: _____

2051293716

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ *68,015.00

STRATEGIES:

- Confirm PM's decision to qualify a second converter.
- Milprint announced a price reduction for Jan., 1993. This announcement was made in July, 1992
- Milprint is taking the necessary measures to assure their position in this market.

TIMETABLE

Jan./93 - June/93

OTHER ISSUES:

None.

2051293717

*1993 Actual compared to 1992 Actual.

Page 2 of 9
Class Code 06-816-A

OBJECTIVES/STRATEGIES

PURCHASING OBJECTIVES:

1. Supply security continues to be the major objective since the coating and the converted product are single sourced from Morton Thiokol Inc. and Milprint, respectively.
2. Quality Maintenance

STRATEGIES TO MEET OBJECTIVES:

- 1a. Complete the qualification of a second source for the MPP coating by the second quarter 1993.
- 1b. Complete the evaluation of Hermetite converted material by September 1993.
- 1c. Assure supply security for Mouthpiece Paper during the Milprint and Glatfelter contract negotiations.
- 2a. Maintain programs in place for eliminating loose winds.

ISSUE:

Assure that a contingency plan is completed by Milprint to cover the January 1993 contract renewal in Denmark.

A-53

8178621902

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 06-816-A

Unit of Measure Bobbins

Description 26.25mm x 2225M MMP

Forecast Date 10/92

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Milprint	212,650	95.4	N	193,492	84.5	N	115,906	50.0	N	117,726	50.0	N	119,133	50.0	N
Hermetite	10,350	4.6	?	35,690	15.5	?	115,906	50.0	?	117,726	50.0	?	119,133	50.0	?
	223,000	100.0		229,182	100.0		231,812	100.0		235,452	100.0		238,266	100.0	

ISSUES:

Qualification of a second converter.

Second source must demonstrate ability to meet a required acceptance level long term.

2051293719

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		Milprint		
	USING LOCATION		Stockton Street		
<u>25</u>	A. COST FACTORS				
	80	1. DELIVERED COST/#	* \$20.0673 (3)		
	—	2. VOLUME INCENTIVES	—		
	20	3. COST SAVINGS PROVIDED	(4)		
	--	4. PRICE LEADERSHIP	---		
	TOTAL COST RATING		(2.3)		
<u>30</u>	B. QUALITY FACTORS				
	50	1. % REJECTS	0.36% (3)		
	20	2. QUALITY CONTROL	(5)		
	30	3. PROCESSABILITY/ MACHINABILITY	(4)		
	TOTAL QUALITY RATING		(3.7)		
<u>15</u>	C. TOTAL SERVICE RATING		(4.0)		
<u>30</u>	D. TOTAL SECURITY RATING (SEE PAGE(S) 6)		(4.5)		
100%	OVERALL RATING		(3.6)		

*Allows for a 1% net 10 days rebate.

0228621902

Page 5 of 9
Class/Code 06-816-A

SECURITY EVALUATION

WEIGHT	SUPPLIER	Milprint		
<u>10</u>	D. SECURITY 1. RAW MATERIALS	Basesheet Supplier - Simpson Plainwell Paper Co., Plainwell, MI and P. H. Glatfelter Co., Spring Grove, PA Inventory - 5 weeks. Coating Supplier Morton Thiokol Inc. Inventory 6 weeks, Greenville, SC and Chicago, IL (5)		
<u>10</u>	2. CAPACITY	(1) Denmark - 1,039,500 Bobs. (2) Lancaster-594,000 Bobs. 82% available to PM. Buying Plan Volume is 21% of Denmark's capacity, 37% Lancast. (5)		
<u>5</u>	3. FLEXIBILITY	Two plants. Denmark, Wis. - Three coaters. Lancaster, Wis. - Three coaters. Excellent response time. (5)		
<u>5</u>	4. SUPPLIER INVENTORY	Converted Material 7-10 days (5)		
<u>5</u>	5. PLANTS & LOCATIONS	Denmark, Wisconsin. Lancaster, Wisconsin Plant/Manufacturing Equipment - Excellent (5)		
<u>15</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	United Paper Workers Int'l. (Denmark) January, 28, 1993 Good	Simpson Plainwell Paper Co. United Paper Workers Int'l. Local 1062 December 1, 1994 Good	P. H. Glatfelter Co. United Paper Workers International January 19, 1993 Good (3)
<u>10</u>	7. ENERGY	Natural Gas/Electric (5)		
<u>10</u>	8. EPA COMPLIANCE	** (4)		
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 7)	(4)		
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(5)		
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	(5)		
100%	TOTAL SECURITY RATING	4.5		

*Lancaster - Non Union

1248621902

Morton Thiokol Inc. Teamsters Local 28 10/31/92 Excellent
 **No threatening environmental issues.

Page 6 of 9
 Class/Code 06-816-A

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1990 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Milprint	1991	1990	1989
----------	----------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	**10.206	12.338	
2. Enter Current Liabilities	6.178	9.364	
3. Current Ratio (Line 1/Line 2)	1.65	1.32	1.03
Industry Average: 2.6 1.7 1.2			

DEBT TO ASSETS RATIO:

1. Enter Total Debt	*None	22.083	4.841
2. Enter Total Assets	**46.092	47.681	16.769
3. Debt to Assets Ratio (Line 1/Line 2)		.46	.29
Industry Average: 0.51			

PROFIT MARGIN ON SALES:

1. Enter Net Income	2.331	2.755	3.245
2. Enter Sales	**63.641	67.586	62.365
3. Profit Margin On Sales (Line 1/Line 2)	4%	4.08%	5.20%
Industry Average: 6.6 4.4 1.7%			

RETURN ON TOTAL ASSETS:

1. Enter Net Income	2.331	2.755	3.245
2. Enter Total Assets	46.092	47.681	16.769
3. Return on Total Assets (Line 1/Line 2)	5%	5.78%	19.35%
Industry Average: 7.6 5.2 3.0%			

*Bemis has chosen to carry the Milprint debt as goodwill and equity.

**Certain Milprint assets and sales were transferred to Bemis in 1991 and 1992.

Page 7 of 9
Class/Code 06-816-A

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1990 UNLESS OTHERWISE INDICATED.)

SUPPLIER	Milprint	1988		
----------	----------	------	--	--

CURRENT RATIO:

1. Enter Current Assets			
2. Enter Current Liabilities			
3. Current Ratio (Line 1/Line 2)	1.14		
Industry Average: 2.6 1.7 1.2			

DEBT TO ASSETS RATIO:

1. Enter Total Debt	8.160		
2. Enter Total Assets	16.628		
3. Debt to Assets Ratio (Line 1/Line 2)	.49		
Industry Average: 0.51			

PROFIT MARGIN ON SALES:

1. Enter Net Income	2.235		
2. Enter Sales	58.705		
3. Profit Margin On Sales (Line 1/Line 2)	3.81%		
Industry Average: 6.6 4.4 1.7%			

RETURN ON TOTAL ASSETS:

1. Enter Net Income			
2. Enter Total Assets			
3. Return on Total Assets (Line 1/Line 2)			
Industry Average: 7.6 5.2 3.0%			

8228621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	192,930	231,720	202,310	201,150	210,690	223,000
SUPPLIER	%	%	%	%	%	%
Milprint	100	100	100	100	100	95.4%
Hermetite	-	-	-	-	-	4.6%

A-59

2051293724

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 10 Description Cigarette Paper
Unit of Measure 6,700M BBS Std. Cost \$ Est. \$ Purchase REDACTED
Est. Usage 3,351,757 Est. Purch. Quantity 3,351,757

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj., 1993			
	Units	%	Units	%		
1. Kimberly-Clark	REDACTED		REDACTED		REDACTED	REDACTED
2. Ecusta	REDACTED		REDACTED			Note #1
3. PDM	319,680	9.5	502,764	15.0	Note #2	Note #2
4.						
5. Note: Assumes						
6. 354,000 bobbins						
7. will be run on						
8. wood pulp paper.						
9.						
10.						
Total	REDACTED					

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION See the "1992 Fine Paper Vendor Consolidation" report for the explanation supporting this decision.

Note #1: An evaluation of Ecusta does not apply due to the FPVC.
Note #2: K-C is the Agent for PDM.

5278621907

Page 1 of 4
Class/Code 10
Approval [Signature] Date:
Prepared By Fred J. Emig Date: 11/17/92

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 7,078,307

STRATEGIES:

Support the SSA relationships (Enhance, Promote) i.e. communications.

TIMETABLE

Ongoing

OTHER ISSUES:

1) PDM Acceptability in manufacturing

A-61

Page 2 of 4
Class Code 10 -

2051293726

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	3,024,720	3,129,124	3,584,610	3,480,942	3,371,294	3,351,757
SUPPLIER	%	%	%	%	%	%
Kimberly-Clark Corp.	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Ecusta	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Papeteries De Mauduit	8.3	8.9	8.6	9.2	9.5	15.0

Page 4 of 4
 Class/Code 10

2051293728

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 61 & 62 Description Adhesives

Unit of Measure Pounds Std. Cost \$ Est. \$ Purchase \$13,011,942.67

Est. Usage 14,645,898 Est. Purch. Quantity 14,645,898

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Fuller	6,758,817	45.7	6,605,300	45.1	Purchase Orders	
2. National	REDACTED				REDACTED	
3. Findley					REDACTED	
4. Ajax	1,577,999	10.7	776,233	5.3	Purchase Orders	
5. Upaco	862,059	5.8	424,731	2.9	Purchase Orders	
6. Morton	124,773	0.8	58,584	0.4	Purchase Orders	
7. Henkel	0	0.0	131,813	0.9	Purchase Orders	
8. **Unassigned**	0	0.0	1,318,131	9.0		
9.						
10.						
Total	14,778,640	100.0	14,645,898	100.0		

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION Final breakdown will be determined by the results of the Adhesive SSA to be done in 1993.

Page 1 of 4

Class/Code 61 & 62

Approval *[Signature]* Date: 11/17/92

Prepared By Fred J. Emig Date: 11/17/92

6228621902

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 savings: \$ 450,000

STRATEGIES:

1) SSA Team

Team members and level of management are to be determined.

2) SSA Implementation

The implementation of the "Adhesives SSA" on schedule in 1993 will be dependant upon objective evaluation and team work.

NOTES:

- 1) Annual savings are prorated.
2) Anticipated MAXIMUM savings are \$75.000/month.
3) Expected implementation in July of 1993.

A-65

Page 2 of 4
Class Code 61 & 62

2051293730

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 61 & 62

Description Adhesives

Unit of Measure Pounds

Forecast Date 10/15/92

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
H. B. Fuller	6,605,300	45.1	N	7,822,853	49.3	N	7,914,553	49.3	N	8,039,003	49.3	N	8,135,069	49.3	N
National Starch	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
Findley Adhesives	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
Ajax	776,233	5.3	N	0	0.0	N	0	0.0	N	0	0.0	N	0	0.0	N
Upaco Adhesives	424,731	2.9	N	0	0.0	N	0	0.0	N	0	0.0	N	0	0.0	N
Morton Int'l.	58,584	0.4	N	0	0.0	N	0	0.0	N	0	0.0	N	0	0.0	N
Henkel Adhesives	131,813	0.9	N	156,110	1.0	N	157,940	1.0	N	160,423	1.0	N	162,341	1.0	N
Unassigned	1,318,131	9.0	N	1,561,102	9.8	N	1,579,401	9.8	N	1,604,236	9.8	N	1,623,406	9.8	N
	14,645,898	100.0		15,853,852	100.0		16,039,692	100.0		16,291,902	100.0		16,486,591	100.0	

ISSUES:

- 1) Implementation of SSA in the Adhesives area.
- 2) Value of Henkel to PM U.S.A. / KGF synergy.
- 3) Satisfying manufacturing's material preference.

1878621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	13,781,318	13,730,317	14,441,327	14,188,861	14,778,640	14,645,898
SUPPLIER	%	%	%	%	%	%
H.B. Fuller	33.8	36.6	39.5	42.3	45.7	49.6
National Starch	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Findley Adhesive	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Ajax	20.5	18.3	14.3	11.8	10.7	5.8
Upaco Adhesives	2.3	2.0	3.1	3.6	5.8	3.2
Morton Chemical	1.7	1.8	0.7	0.8	0.8	0.4
Henkel	0.0	0.0	0.6	0.1	0.0	1.0
Unassigned	0.0	0.0	0.0	0.0	0.0	9.9

Page 4 of 4
Class/Code 61 & 62

2051293732

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 11 Description Base Tipping Paper

Unit of Measure Bob Std. Cost \$ N.A. Est. \$ Purchase 53,439,000 (est.)

Est. Usage 1,555,000 (ext) Est. Purch. Quantity 1,555,000 (est)

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. CHIP	358,405	23.4	-0-	0	2	
2. Ecusta	REDACTED				REDACTED	
3. Golden Belt	62,963	4.1	-0-	0	2	
4. Hermetite	643,218	42.1	see M-H		2	A
5. RCI	427,648	28.0	see M-H		2	A
6. Mundet-Hermetite	REDACTED				REDACTED	
7.						
8.						
9.						
10.						
Total	1,528,798	100.0		100.0		

* 1. Contract 2. Purchase Order 3. Other _____

NOTE: Mundet-Hermetite purchased CHP 6/1/92 and renamed facility RCI. The 1993 requirements split between the two plants will be determined by M-H. Based on 1993 volume of 331 billion cigs. Total purchases to be finalized when forecast detail is available.

Page 1 of 9

Class/Code

Approval [Signature] RD Kelly

Prepared By S. L. Cline

Date: 11/16/92

Date: 11/17/92

2051293733

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 3,300,000 (KC, M-H Strategic Agreements)

OTHER STRATEGIES

TIMETABLE

- | | |
|---|------------------|
| 1. Manage the SSA with Mundet emphasizing projects improving operating efficiencies: | |
| a. Standardize KS tipping for price value brands. | 1st Qtr 1993 |
| b. Convert Parliament from Type C to 38gm paper | 1st Qtr 1993 |
| c. Reduce packing material required for pallets | 1st Qtr 1993 |
| d. Standardize inks (color, type, and application) | Ongoing |
| 2. Implement conversion of all items to Kimberly Clark paper | 1st Qtr 1993 |
| 3. Proceed with evaluation of white paper with lip release properties to eliminate the cost and environmental concerns of printing nitrocel. | 4th Qtr 1993 |
| 4. Proceed with the evaluation of the new ink system to meet anticipated future PM needs. | to be determined |
| 5. Develop a cross functional team with Philip Morris, Mundet, and Kimberly Clark to address specific quality issues (splices, basis weight, roll meterage) | 4th Qtr 1993 |

OTHER ISSUES:

- . Expansion of Fast Flow to LMCP will be evaluated as appropriate.
- . Consolidation of Hermetite and RCI into Mundet Hermetite for Quality Evaluation in 2nd Quarter
- . Develop improved data base to provide Mundet and KC with the required forecasting information
- . Evaluation of Mundet and LMCP supplying the EC region with perforated tipping paper

Page 2 of 9
Class Code _____

2051293734

Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class
Unit of Measure

bobbin

Description	Base Tipping Paper
Forecast Date	10/15/92

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Mundet Hermetite	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
	0	0.0		0	0.0		0	0.0		0	0.0		0	0.0	

ISSUES: Volumes based on usage factor of 4.7 bobbins per million cigarettes. Per G. Nixon's memo dated October 15, 1992, Five Year forecasted requirements are 1994 (F) 358.3 billion, 1995 (F) 362.5 billion, 1996 (F) 368.2 billion, and 1997 (F) 372.6 billion cigarettes. Forecasted requirements used for 1993 were 331 billion cigarettes.

I will recommend Mundet-Hermetite be evaluated as a candidate for certification once the certification program has been developed.

Page 3 of 9
Class/Code;

2051293735

SUPPLIER EVALUATION

SUPPLIER	HERMETITE B.V.	RCI
USING LOCATION	ALL	ALL
A. COST	SEE 1992 SSA	SEE 1992 SSA
DELIVERED COST/UOM	EA./BOBBIN	EA./BOBBIN
ANNUAL COST SAVINGS (YES/NO)	YES	YES
REBATE OFFERED (YES/NO)	NO	NO
OVERALL COST (A/U)	A	A
B. QUALITY	4Q-99.98%, 1Q-99.83%,	3RD QTR - 99.98%
% ACCEPTANCE	2Q-99.73%, 3Q-98.46%	
OVERALL QUALITY (A/U)	A	A
C. SERVICE (A/U)	A	A
D. SECURITY (FROM PAGE(S)) (A/U)	A	A
OVERALL EVALUATION (NUMBER OF A's; 1-4)	A's - 4	A's - 4

A= ACCEPTABLE
U= UNACCEPTABLE

Page
Class/Code

4 of 9
11

2051293736

SECURITY EVALUATION

SUPPLIER	MUNDET - HERMITITE	
SECURITY	PAPER : EC & KC - JIT (3 DAYS) & Terv 30 DAYS	
1. RAW MATERIALS	INKS: ICI 7 DAYS	
	CYLINDERS: MULTIPLE SUPPLIERS	
2. PLANTS & LOCATION	BUENA VISTA, VA. - BASE TIPPING & PERF.	COLONIAL HTS., VA. - BASE TIPPING ONLY
3. LABOR	BUENA VISTA -	
a. UNION	UPWI A.F.L. - C.I.O	COLONIAL HTS -
	LOCAL 1374	BELLWOOD PRTG &
b. CONTRACT EXPIRATION	11/01/93	SPEC. UNION #670
c. SITUATION	GOOD	11/01/94
4. ENERGY SOURCES	GAS, ELECECTRIC, PROPANE	
5. CAPACITY (A/U)	#5 - 2 COL., #7 - 5 COL., #8 - 7 COLOR TOTAL - 1,184,000 Bob.	COATER - 630,000 ROTOMECH - 300,000 TOTAL - 930,000 Bob.
6. FLEXIBILITY (A/U)		A
7. EPA COMPLIANCE (A/U)		A
8. FINANCIAL RATING (A/U)		A
9. CORPORATE MANAGEMENT STRENGTH (A/U)		A
10. CORPORATE MANAGEMENT COMMITMENT (A/U)		A
OVERALL SECURITY (A/U)		A

A= ACCEPTABLE

U= UNACCEPTABLE

Page
Class/Code

5 of 9

11

2051293737

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: Mundet-Hermetite	1991	1990	1989
----------------------------	------	------	------

Current Ratio:

1. Enter Current Assets			
2. Enter Current Liabilities			
3. Current Ratio (Line 1/Line 2)	1.08	1.35	1.41

Debt To Assets Ratio:

1. Enter Total Debt			
2. Enter Total Assets			
3. Debt To Assets Ratio (Line 1/Line 2)	0.58	0.54	0.58

A-72

Profit Margin On Sales:

1. Enter Net Income			
2. Enter Sales			
3. Profit Margin On Sales (Line 1/Line 2)	0.088	0.096	

Return On Total Assets:

1. Enter Net Income			
2. Enter Total Assets			
3. Return On Total Assets (Line 1/Line 2)	25%	27%	17.72%

Earnings Per Share:

--	--	--

NOTE: Fiscal Year End October 31st

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 6 of 9

Class/Code

8828621502

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: Mundet-Hermetite	1988	1987	1986
----------------------------	------	------	------

Current Ratio:

1. Enter Current Assets			
2. Enter Current Liabilities			
3. Current Ratio (Line 1/Line 2)	1.04		

Debt To Assets Ratio:

1. Enter Total Debt			
2. Enter Total Assets			
3. Debt To Assets Ratio (Line 1/Line 2)	0.74		

Profit Margin On Sales:

1. Enter Net Income			
2. Enter Sales			
3. Profit Margin On Sales (Line 1/Line 2)			

Return On Total Assets:

1. Enter Net Income			
2. Enter Total Assets			
3. Return On Total Assets (Line 1/Line 2)	10.17%		

Earnings Per Share:

--	--	--

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 7 of 9
Class/Code _____

6828621902

1988-92 BUYING PLAN HISTORY AND 1993 BUYING PLAN - BASE TIPPING

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY (BOB.)	1,383,405	1,444,107	1,634,762	1,521,000	1,528,798	1,597,000
SUPPLIER	%	%	%	%	%	%
CHP	32.60%	32.50%	30.30%	33.10%	23.44%	0.00%
ECUSTA	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
GOLDEN BELT	23.10%	22.10%	23.30%	25.70%	4.12%	0.00%
HERMETITE	24.00%	23.80%	22.10%	31.00%	42.07%	0.00%
RCI	0.00%	0.00%	0.00%	0.00%	27.97%	0.00%
MUNDET-HERMETITE	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Page 8 of 9
Class/Code 11

205193740

1988-92 BUYING PLAN HISTORY AND 1993 BUYING PLAN - BASE PAPER

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY (LBS)	19,500,055	19,895,104	23,550,786	22,280,230	22,193,078	22,193,078
SUPPLIER	%	%	%	%	%	%
ECUSTA	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
KIMBERLY CLARK	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
TERVAKOSKI	0.00%	0.20%	1.01%	5.17%	3.05%	0.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Page 9 of 9
Class/Code 11

2051293741

2051293742

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 15 Description ALUMINUM FOIL
Unit of Measure LBS Std. Cost \$ Est. \$ Purchase REDACTED
Est. Usage 40,750,000 Est. Purch. Quantity 40,750,000

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992	Proj. 1993				
	Units/MM LBS	Σ	Units/MM LBS	Σ		
1. ALCAN	REDACTED					4
2. GOLDEN BELT	13.5	34.5	1.83	4.5	2-QUARTERLY	4
3. REYNOLDS	REDACTED					
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total						

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION

*1993 Forecast 333.8 Billion Cigarettes

2051293743

Page 1 of 8
Class/Code 15 FOIL
Approval B. H. Jones Date: 2/15/93
Prepared By R. D. Kallig Date: 2/15/93

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 4,198,000

STRATEGIES:

TIMETABLE

1. DEVELOP S.S.A. CONTRACT WITH ALCAN. INCREASE VOLUME AS CAPACITY ALLOWS TO MAXIMIZE AGREED REBATE.
2. MAINTAIN REYNOLDS AS SECOND LARGEST FOIL SUPPLIER COMPLYING WITH S.S.A. AGREEMENT.
3. DECREASE VOLUME WITH GOLDEN BELT AND PHASE OUT PRINTED FOIL AS ALCAN MEETS REQUIREMENTS FOR REPLACING EACH MATERIAL CODE.

ASSUMPTIONS:

ALCAN COMPLIES WITH S.S.A. AND DELIVERS 50% FOIL REQUIREMENTS 10/1/92 AND 75% 6/1/93.

OTHER ISSUES:

1. PRINTED QUALIFICATION INCLUDING MACHINABILITY.
2. DEVELOP JAMES RIVER BERLIN BOND (30#) FOR ALCAN.
3. APPROVAL AMERICAN INKS, BOTH PIGMENT AND COATING.

2051293744

Page 2 of 8
Class Code 15 FOIL

SUPPLIER EVALUATION

SUPPLIER	ALCAN	GOLDEN BELT	REYNOLDS
USING LOCATION	RICH-LVL-CAB	RICH-LVL-CAB	RICH-LVL-CAB
A. COST			
DELIVERED COST/UOM 19/LB. 1.	\$1.531/LB.		\$1.461/LB.
30/LB. 2.	\$1.180/LB.	\$1.180/LB.	\$1.125/LB.
GOLD STRIPE 3.	\$1.258/LB.	\$1.258/LB.	\$1.214/LB.
REBATE OFFERED (YES/NO)	YES	YES	NO
OVERALL COST (A/U)	A	A	A
B. QUALITY			
Z ACCEPTANCE	99.63%	99.99%	99.82%
OVERALL QUALITY (A/U)	A	A	A
C. SERVICE (A/U)	A	A	A
D. SECURITY (FROM PAGE(S) 5) A/U	A	A	A
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4	4	4

A - ACCEPTABLE
U - UNACCEPTABLE

Page 3 of 8
Class/Code 15 FOIL

2051293745

SECURITY EVALUATION

SUPPLIER	ALCAN	GOLDEN BELT	REYNOLDS
SECURITY	21 DAYS INV. - PAPER 21 DAYS INV. - METAL	30 DAYS INV. - PAPER 30 DAYS INV. - METAL	4 WKS - PAPER 1 WK - METAL (FINISHED) RE-ROLL INV. 5 WEEKS HOT SPRINGS (.045")
1. RAW MATERIALS	LOUISVILLE, KY GLASGOW, SCOTLAND BERLIN, GERMANY SAO PAULO, BRAZIL	REIDSVILLE, NC MOVED TO DURHAM, NC RANDLEMAN, NC MOVED TO DURHAM	RICHMOND, VA LOUISVILLE, KY (BACK-UP)
2. PLANTS & LOCATIONS			
3. LABOR	a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION	ABCWU, IAM, IBEW 8/1/97 (5 YR) STABLE (ACCEPTABLE)	ABCWU, BCU, IBEW, IBSMW, BPPASU 5/31/93 STABLE (ACCEPTABLE)
4. ENERGY SOURCES	ELEC/NAT.GAS/FUEL OIL	ELEC/NAT GAS,FUEL OIL	ELEC/NAT GAS, FUEL OIL
5. CAPACITY	50.4 M LBS 53%	*29M LBS 15.5%	**28M LBS 34.5%
6. FLEXIBILITY	A	A	A
7. EPA COMPLIANCE	A	A	A
8. FINANCIAL RATING	A	A	A
9. CORPORATE MANAGEMENT STRENGTH	A	A	A
10. CORPORATE MANAGEMENT COMMITMENT	A	A	A
OVERALL SECURITY	A	A	A

2051293746

*15.5% ASSUMES CONVERSION TO 75% ALCAN JUNE 1, 1993

A - ACCEPTABLE

U - UNACCEPTABLE

**34.5% ASSUMES CONVERSION TO 75% ALCAN JUNE 1, 1993

Page 4 of 8

Class/Code 15 FOIL

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY (MILLIONS/LBS)	36.4	36.8	42.3	41.1	39.1	40.8
SUPPLIER	Z	Z	Z	Z	Z	Z
ALCAN	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
GOLDEN BELT	40.3	38.6	41.8	40.1	34.5	4.5
REYNOLDS	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

B-5

R: REDACTED MATERIAL

2051293747

Page 5 of 8
Class/Code 15 FOIL

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: REYNOLDS	1991	1990	1989
--------------------	------	------	------

Current Ratio:

1. Enter Current Assets	1,780.0	1,815.6	1,763.1
2. Enter Current Liabilities	1,016.4	973.9	981.5
3. Current Ratio (Line 1/Line2)	1.75	1.86	1.796

Debt To Assets Ratio:

1. Enter Total Debt	3,725.2	3,598.7	2,871.5
2. Enter Total Assets	6,685.3	6,527.1	5,555.6
3. Debt To Assets Ratio (Line 1/Line 2)	.557	.551	.516

Profit Margin On Sales:

1. Enter Net Income	154.1	296.6	532.7
2. Enter Sales	5,784.5	6,075.7	6,211.1
3. Profit Margin On Sales (Line 1/Line 2)	2.66%	4.88%	8.57%

Return On Total Assets:

1. Enter Net Income	154.1	296.6	532.7
2. Enter Total Assets	6,685.3	6,527.1	5,555.6
3. Return On Total Assets (Line 1/Line 2)	2.30%	4.54%	9.58%

Earnings Per Share:

2.60	5.01	9.20
------	------	------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 6 of 8
Class/Code 15 FOIL

2051293748

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: <i>ALCAN</i>	1991	1990	1989
------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	3,070	3,370	3,471
2. Enter Current Liabilities	1,960	2,148	2,095
3. Current Ratio (Line 1/Line2)	1.56	1.568	1.656

Debt To Assets Ratio:

1. Enter Total Debt	6,086	5,707	4,898
2. Enter Total Assets	10,816	10,649	9,508
3. Debt To Assets Ratio (Line 1/Line 2)	.562	.535	.515

Profit Margin On Sales:

1. Enter Net Income	(36)	543	835
2. Enter Sales	7,830	8,919	9,047
3. Profit Margin On Sales (Line 1/Line 2)	(NA)	6.08%	9.22%

Return On Total Assets:

1. Enter Net Income	(36)	543	835
2. Enter Total Assets	10,816	10,649	9,508
3. Return On Total Assets (Line 1/Line 2)	(NA)	5.09%	8.78%

Earnings Per Share:

(.25)	2.33	3.58
-------	------	------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 7 of 8
Class/Code 15

6728621902

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class		15		Description		ALU FOIL					
Unit of Measure		LBS		Forecast Date		10/21/92					
		1993		1994		1995		1996		1997	
Vendor Name		Units	%	Units	%	Units	%	Units	%	Units	%
Vendor A	ALCAN		REDACTED				REDACTED				REDACTED
Vendor B	GOLDEN BELT	1,830,000	4.5	0	0.0	0	0.0	0	0.0	0	0.0
Vendor C	REYNOLDS		REDACTED						REDACTED		

Total:

REDACTED

REDACTED

ISSUES:

*CONTINUE TO OPTIMIZE INCLUDING STANDARDIZATION

*REDUCE VENDOR BASE FROM THE CURRENT 3 TO 2 IN 1993, TO ONE IN 1994

2051293750

R: REDACTED MATERIAL

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 20 Description Innerframe (White, Printed, Laminated)

Unit of Measure LB Std. Cost \$ N/A Est. \$ Purchase

Est. Usage Est. Purch. Quantity

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. WESTVACO	8,064	46	7,308	49	2	4
2. WINTER, BELL	6,975	40	5,410	36	2	4
3. VI-TEX	1,486	9	1,110	7	2	4
4. UNIFOIL	850	5	1,085	7	2	4
5.						
6.						
7.						
8.						
9.						
10.						
Total	17,375	100.0	14,913	100.0		

* 1. Contract 2. Purchase Order 3. Other

1928621902

Page 1 of 6
 Class/Code Innerframe
 Approval RP/Kelly Date: 12-18-92
 Prepared By Paul M. Harper Date: 12-10-92

1993 PRODUCTIVITY INITIATIVES
INNERFRAME

RESOURCING VITEX BUSINESS TO UNIFOIL \$0 → \$ 100,000

B-10

2051293752

SECURITY EVALUATION

SUPPLIER	Westvaco	Winter, Bell	
SECURITY	.012 SBS Board Westvaco	.012, .014 SBS Board Westvaco	
1. RAW MATERIALS	B=30	B=30	
2. PLANTS & LOCATIONS	Low Moor, VA	High Point, N. C.	
3. LABOR			
a. UNION	UPIU #490	Non-Union	
b. CONTRACT EXPIRATION DATE	12/1/93		
c. SITUATION	Calm		
4. ENERGY SOURCES	Coal, Wood Waste	Electricity	
5. CAPACITY (A/U)	A	A	
6. FLEXIBILITY (A/U)	A	A	
7. EPA COMPLIANCE (A/U)	A	A	
8. FINANCIAL RATING (A/U)	A	A	
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	
OVERALL SECURITY (A/U)	A	A	

A - ACCEPTABLE
U - UNACCEPTABLE

Page 2 of 6
Class/Code Innerframe

8928621902

SECURITY EVALUATION

SUPPLIER	Unifoil	Vitex	
SECURITY	.012, .014 SBS Board .012 535 Laminate to foil Westvaco B-45 I-45 F-45	.012 SBS Board Westvaco B-TL I-TL	
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	Passaic Park, NJ	Suffolk, VA	
3. LABOR			
a. UNION	UTW #273	Non-Union	
b. CONTRACT EXPIRATION DATE	11/23/93		
c. SITUATION	Calm		
4. ENERGY SOURCES	Natural Gas	Electricity, Nat. Gas	
5. CAPACITY (A/U)	A	A	
6. FLEXIBILITY (A/U)	A	A	
7. EPA COMPLIANCE (A/U)	A	A	
8. FINANCIAL RATING (A/U)	A	A	
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	
OVERALL SECURITY (A/U)	A	A	

A - ACCEPTABLE
U - UNACCEPTABLE

49578621902

Page 3 of 6
Class/Code Innerframe

SUPPLIER EVALUATION

SUPPLIER	Westvaco	Winter, Bell	
USING LOCATION	R,L	R,L,C	
A. COST			
DELIVERED COST/UOM 1.	22.78	25.96	
20-001-A 2.			
As of 11/12/92 3.			
REBATE OFFERED (YES/NO)	NO	NO	
OVERALL COST (A/U)	A	U	
B. QUALITY			
% ACCEPTANCE	100.00	99.94	
OVERALL QUALITY (A/U)	A	A	
C. SERVICE (A/U)	A	A	
D. SECURITY (FROM PAGE(S)) A/U	A	A	
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4	4	

A = ACCEPTABLE
U = UNACCEPTABLE

2051293755

Page 4 of 6
Class/Code Innerframe

SUPPLIER EVALUATION

SUPPLIER	Unifoil	Vitex	
USING LOCATION	R,L	R,L	
A. COST			
DELIVERED COST/UOM 1.	55.55	X	
As of 11/12/92 20-303A 2.	X	40.69	
MSF 20-203B 3.			
REBATE OFFERED (YES/NO)	NO	NO	
OVERALL COST (A/U)	A	A	
B. QUALITY			
% ACCEPTANCE	100.00	100.00	
OVERALL QUALITY (A/U)	A	A	
C. SERVICE (A/U)	A	A	
D. SECURITY (FROM PAGE(S)) A/U	A	A	
OVERALL EVALUATION (NUMBER OF "A"s"; 1-4)	4	4	

A - ACCEPTABLE
U - UNACCEPTABLE

9928621902

Page 5 of 6
Class/Code Innerframe

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	11,571	13,416	15,240	14,973	16,760	14,913
SUPPLIER	Z	Z	Z	Z	Z	Z
(Plain) WESTVACO	45	48	51	50	51	50
(Plain) WINTER, BELL	22	22	24	34	35	36
(Printed) VI-TEX	12	14	10	10	8	7
(Printed & Laminated) UNIFOIL	13	9	8	6	6	7
UNION CAMP	8	8	7	0	0	0

2051293257

Page 6 of 6
Class/Code Innerframe

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class FTB Description Flip Top Boxes - 20's, 14's, 10's

Unit of Measure EA Std. Cost \$ N/A Est. \$ Purchase _____

Est. Usage _____ Est. Purch. Quantity _____

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. VFB	5,865	71	5,474	64	2	4
2. SOMERVILLE	1,607	19	2,330	27	2	4
3. ALFORD	REDACTED		REDACTED		REDACTED	
4. GRAVURE PACKAGING	0	0	100	1	2	4
5.						
6.						
7.						
8.						
9.						
10.						
Total	8,300	100.0	8,589	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

8928621902

Page 1 of 6
Class/Code FTB
Approval RS Kelly Date: 12-18-92
Prepared By Paul M. Harper Date: 12-10-92

1993 PRODUCTIVITY INITIATIVES
FTB'S

MEGABUCKS	\$ 0 - \$1,200,000
-----------	--------------------

DIE / BRAND STRATEGY IMPLIMENTATION	\$500,000 - \$2,000,000
-------------------------------------	-------------------------

- MARL KS EXPORT PRICING ON SOMERVILLE'S DANVILLE PRESS
- "MARLBORO PACKAGE" COMPETITIVE PRICING (SOM VS. VFB)
- BRAND RATIONALIZATION

GRAVURE PACKAGING COMPETITIVE PRICING ON MARL LS CODES	\$ 50,000 - \$ 150,000
--	------------------------

RESOURCING ALFORD BRANDS TO SOM /VFB	\$ 0 - \$ 100,000
--------------------------------------	-------------------

TOTAL	\$550,000 - \$3,450,000
-------	-------------------------

B-17

2051293759

EXPLANATION(S)
(REQUIRED FOR ALL "U" RATINGS)

Alford's Financial Rating still remains unfavorable even though there have been signs that investment and competitive pricing positions point to a committment of financial backing at the corporate level.

2051293760

SECURITY EVALUATION

SUPPLIER	VFB	Somerville	Alford
SECURITY	.012, .014 SBS Board Westvaco	.012, .014 SBS Board Westvaco Foil Laminate Westvaco	.012, .014 SBS Board Westvaco Foil Laminate Westvaco
1. RAW MATERIALS			
Days of Inventory (B) Board (I) Inks	B=30 I=7	B=40 I=14	B=30 I=30
2. PLANTS & LOCATIONS	Richmond - 2 Plants	Canada - 2 Plants Williamsburg - 1 Plant	Ridgefield Park, N.J. Baltimore, MD
3. LABOR			
a. UNION	BPPA & SW #670	WWBG & BVLE-Non Union Smith Falls - GCIU#763	AFL-CIO #8463 UPWIU #344
b. CONTRACT EXPIRATION DATE	4/15/93		5/20/93
c. SITUATION	Calm	Calm	Calm
4. ENERGY SOURCES	Electricity, Fuel Oil, Nat. Gas, Propane	Electricity, Nat. Gas	Electricity, Nat. Gas
5. CAPACITY (A/U)	A	A	A
6. FLEXIBILITY (A/U)	A	A	A
7. EPA COMPLIANCE (A/U)	A	A	A
8. FINANCIAL RATING (A/U)	A	A	U
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A*	A	A
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	A
OVERALL SECURITY (A/U)	A	A	U

A = ACCEPTABLE
U = UNACCEPTABLE

*VFB Management weak
1928621902

Page 2 of 6
Class/Code FTB

SECURITY EVALUATION

SUPPLIER	Gravure Packaging		
SECURITY	.012 SBS Board Westvaco		
1. RAW MATERIALS	B=3 I=3		
2. PLANTS & LOCATIONS	Richmond - 1 Plant		
3. LABOR	Non-Union		
a. UNION			
b. CONTRACT EXPIRATION DATE			
c. SITUATION			
4. ENERGY SOURCES			
5. CAPACITY (A/U)	A		
6. FLEXIBILITY (A/U)	A		
7. EPA COMPLIANCE (A/U)	A		
8. FINANCIAL RATING (A/U)	A		
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A		
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A		
OVERALL SECURITY (A/U)	A		

A = ACCEPTABLE
U = UNACCEPTABLE

7928621902

Page 3 of 6
Class/Code FTB

SUPPLIER EVALUATION

SUPPLIER	VFB	Somerville	Alford
USING LOCATION	R,C,L	R,C,L	R,L
A. COST			
DELIVERED COST/UOM 1.			
70m Lark Mlds 27-400-D 2.	12.59	X	12.43
70m Marl KS 22-405-B 3.	9.39	9.44	X
REBATE OFFERED (YES/NO)	NO	NO	NO
OVERALL COST (A/U)	A	A	A
B. QUALITY			
% ACCEPTANCE	99.15	99.61	95.21
OVERALL QUALITY (A/U)	A	A	A
C. SERVICE (A/U)	A	A	A
D. SECURITY (FROM PAGE(S)) A/U	A	A	U
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4	4	3

A = ACCEPTABLE
U = UNACCEPTABLE

2051293763

Page 4 of 6
Class/Code _____

SUPPLIER EVALUATION

SUPPLIER	Gravure Packaging		
USING LOCATION	R		
A. COST			
DELIVERED COST/UOM 1.			
21-068-B (only) 2.	11.00		
3.			
REBATE OFFERED (YES/NO)	NO		
OVERALL COST (A/U)	A		
B. QUALITY			
Z ACCEPTANCE	100.00		
OVERALL QUALITY (A/U)	A		
C. SERVICE (A/U)	A		
D. SECURITY (FROM PAGE(S)) A/U	A		
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4		

A = ACCEPTABLE
U = UNACCEPTABLE

2051293764

Page 5 of 6
Class/Code FTB

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	6,025	6,768	7,683	8,891	9,135	8,589
SUPPLIER	Z	Z	Z	Z	Z	Z
VFB	51Z	49Z	51Z	48Z	65Z	64Z
SOMERVILLE	6Z	11Z	15Z	18Z	17Z	27Z
ALFORD	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
GRAVURE PACKAGING	0Z	0Z	0Z	0Z	1Z	1Z
CHP	31Z	28Z	23Z	23Z	6Z	0Z

B-23

R: REDACTED MATERIAL

5928621902

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 30-35/L,M,N Description Soft Pack Labels

Unit of Measure Each Std. Cost \$ N/A Est. \$ Purchase _____

Est. Usage 8,768mm Est. Purch. Quantity 8,768mm

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. IPC & L	6,556 mm	68.5%	5,250 mm	64.7%	2 Weekly	4
2. J.W. Fergusson	2,803 mm	29.3%	3,513 mm	35.2%	"	4
3. Alford	REDACTED		REDACTED		REDACTED	REDACTED
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED		REDACTED			

* 1. Contract 2. Purchase Order 3. Other _____

1993 Buying Plan projections do not take into account
current inventories.

9928621902

Page 1 of 10

Class/Code 30-35/L,M,N

Approval [Signature]

Prepared By D. E. Blackburn

Date: 1/7/93

Date: 12/11/92

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 800,000.00 - 2,000,000.00

STRATEGIES

DOLLARS

TIMETABLE

- | | | |
|--|-----------------------------|---------------------------------|
| 1. Resource B&H "New Graphics" to IPC | \$600,00.00 | 4th Qtr., '92-
1st Qtr., '93 |
| 2. Limit labels produced at Alford to
- PM hot stamped - until satisfactory technology and
cost available with IPC
- B&H "old graphics" - until phased out by new
graphics | \$150,000.00 - \$200,000.00 | 1st Qtr., '93 |
| 3. Begin water base top laquer approval process
- Already done on other tobacco business
- Reduced decay time
- Reduced cost/eliminated environmental chamber
- Testing underway on Marlboro at IPC & JWF.
Material to be evaluated by QA, PTS. | TBD | 2nd Qtr., '93 |
| 4. Initiate formal monthly supplier reviews for productivity
initiatives | TBD | NOW |

B-25

Page 2 of 10
Class Code 30-35/L,M,N

7978621902

OBJECTIVES/STRATEGIES/ISSUES (cont.)

STRATEGIES

	<u>DOLLARS</u>	<u>TIMETABLE</u>
5. Initiate new purchasing strategy for generics - 50 Million & less - annual purchase except for Basic & Best Buy - Negotiate lower cost/m based on quality and annual purchases.	\$10,000.00 - \$50,000.00	NOW
6. Convert all 25's packings from 65# to 60# C1S.	\$15,000.00 - \$25,000.00	3rd Qtr., '93
7. Convert JWF red ink from T-E to Cavalier	\$12,000.00 - \$30,000.00	2nd Qtr., '93
8. Convert Va. Slims from 65# to 60# C1S	\$13,000.00 - \$30,000.00	2nd Qtr., '93

OTHER ISSUES:

See Attached Initiatives

- 2125
- Top laquer/R&D approval: Based on X-500 equipment. Testing will be completed in second quarter.
 - Westvaco C1S 60#, PM 90, 65# - Service to suppliers
 - IPC conducting vendor review with Westvaco
 - Trim waste on PM 90
 - Identify possible use for trim waste.
 - Development of cost model for labels

ASSUMPTIONS:

- December forecast used to project 1993 volume is based on sales forecast, not production forecast, in order to meet financial goals of P.M.
- This buying plan assumes moving labels from Alford to IPC resulting in a savings of \$612,640.00.

8948621902

'92 - '93 Initiatives - Labels

<u>Supplier</u>	<u>Brand</u>	<u>Description</u>	<u>PI Savings</u>	<u>Status</u>
IPC	B&H Embossed Labels	Consolidation B&H volume at IPC	612,640	Need development cost approval
IPC	B&H Hot Stamped Labels	Consolidation PM volume at IPC	177,148	Need development to be completed and costs approved
IPC	Parliament SP's	Eliminate 100% Rewind	169,260	Needs Review Team approval
JWF	VS FF SP	PM-1 65# to PM-1 60#	31,500	Need Samples
JWF	Marlboro "Red" SP	Convert Red Ink from T-E to Cav.	28,590	Need subjective approval
IPC	Marlboro 25's SP	PM-1 65# to PM-1 60#	9,605	Need samples
IPC	Marlboro 25's SP	PM-1 65# to PM-1 60#	7,824	Need samples
IPC	Marlboro Lts 25's SP	PM-1 65# to PM-1 60#	4,179	Need samples
IPC	Players 25's SP	PM-1 65# to PM-1 60#	3,600	Need samples
JWF	VS FF SP	VS-94 to PM-1 65#	0	Need Samples
Var	Merit SP's	Reduce Tolerances		Needs Graphics Review

Total PI Savings 1,044,346

B-27

Page 4 of 10
Class/Code 30-35/L.M.N

2051293769

LABELS

Export labels in forecast:

Non Rotating WN	228	
Rotating WN	49 x 2 (wn)	= 98
Formula 1 & 70	<u>64</u>	

TOTAL	390
-------	-----

Domestic labels in 20 wk. forecast:

Premium Brands	48 x 2 (wn)	= 96
Generic Brands	116 x 2 (wn)	= <u>232</u>

TOTAL	328
-------	-----

Total labels analyzed weekly - 718*

With addition of all warning notices:

Domestic:		
Premium Brands	48 x 4	= 192
Generic Brands	116 x 4	= 464
Export:		
Rotating Warning	49 x 4	= 196

Total label material codes - 1,144*

Closures:

Export closures in forecast	143
Domestic closures in 20 wk.	<u>51</u>

TOTAL	194
-------	-----

Total materials analyzed weekly:	labels	718
	closures	<u>194</u>
		912*

Total materials (active) - 1,338*

*This does not include items set up but not in forecast.

PM/USA Purchasing

Project No. 000 U T91

PM U.S.A. <input checked="" type="checkbox"/>		PTS. DEVELOPMENT REQUEST		PM International <input checked="" type="checkbox"/>	
Requested By: OPTIMIZATION TEAM		Date Requested: 11/18/92		PTS Agent John Hawkins	
Brand B&H		Charge Code 990-5PT-645			
Project Title: B&H EMBOSSED LABEL PACKAGE					

Packaging Information:☐ Design Development☐ Machine Test

<input type="checkbox"/> King Size	<input type="checkbox"/> Inner Foil	<input checked="" type="checkbox"/> Soft Pack	Ink Systems <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____	Paper/Board Stock <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____
<input type="checkbox"/> 100mm	<input type="checkbox"/> Tear Tape	<input type="checkbox"/> Flip-Top-Box		
<input type="checkbox"/> _____	<input type="checkbox"/> Inner Frame	<input type="checkbox"/> Carton		
<input type="checkbox"/> _____	<input checked="" type="checkbox"/> Embossed	<input type="checkbox"/> _____		

Brief:

ANNUAL MATERIAL SAVINGS OBTAINED BY MOVING B&H EMBOSSED LABELS FROM ALFORD TO IPC ARE ESTIMATED TO BE \$610,000. THE MATERIAL CODES WHICH REQUIRE DEVELOPMENT ARE:

*N-400A	*N-401A	*N-442A	*N-447A	*N-500A	*N-501A
*N-515A	*N-515B	*N-516A	*N-523A	*N-524A	30-507B
30-531B	30-529B				

DEVELOPMENT COST ESTIMATE (11/18/92):

14 MATERIAL CODES (56 cyl @ \$2400 ea.) \$134,400

Comments

ESTIMATE: \$134,400**DUE DATE:****MONETARY APPROVAL** _____

DATE _____

DATE _____

DATE _____

SUPPLIER EVALUATION

SUPPLIER	IPC & L	J. W. Fergusson	Alford
USING LOCATION	R, L, C	R, L, C	REDACTED
A. COST			
DELIVERED COST/UOM	1. L-291A \$3.35/m	L-291A \$3.36/m	L-441A
	2. L-441A \$9.12/m		L-515B
	3. L-515B \$8.64/m		
REBATE OFFERED (YES/NO)	NO	NO	REDACTED
OVERALL COST (A/U)	A	A	R
B. QUALITY			
% ACCEPTANCE	99.42%	99.31%	REDACTED
OVERALL QUALITY (A/U)	A	A	R
C. SERVICE (A/U)	A	A	REDACTED
D. SECURITY (FROM PAGE(S)) A/U	A	A	REDACTED
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	A;4	A;4	REDACTED

A - ACCEPTABLE
 U - UNACCEPTABLE
 OR NUMERICAL RATING DEPENDING UPON MATERIAL

8228621902

Page 6 of 10
 Class/Code 30-35/L.H.N

SECURITY EVALUATION

SUPPLIER	IPC & L	J. W. Fergusson	Alford
SECURITY	60 lb. PM1 - 30 days 65 lb. PM1 - 30 days PM 90 - 30 days	60 lb. CIS 30-45 days PM 90 - 30 days	REDACTED
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	Rogersville, TN.	Richmond, VA	REDACTED
3. LABOR			
a. UNION	5 Unions	GCIU Local 788-5	REDACTED
b. CONTRACT EXPIRATION DATE	6/30/93	6/30/93	REDACTED
c. SITUATION	Excellent	Excellent	REDACTED
4. ENERGY SOURCES	Gas, Electricity, Oil	Gas, Electricity	REDACTED
5. CAPACITY (A/U)	A	A	REDACTED
6. FLEXIBILITY (A/U)	A	A	REDACTED
7. EPA COMPLIANCE (A/U)	A	A	REDACTED
8. FINANCIAL RATING (A/U)	A	A	REDACTED
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	REDACTED
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	REDACTED
OVERALL SECURITY (A/U)	A	A	REDACTED

A - ACCEPTABLE
U - UNACCEPTABLE

Page 7 of 10
Class/Code 30-35/L,M,N

8228621902

2051293774

REDACTED

B-32

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

EXPLANATION(S)
(REQUIRED FOR ALL "U" RATINGS)

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY						
SUPPLIER	Σ	Σ	Σ	Σ	Σ	Σ
IPC & L	41.9	43.2	49.2	52.3	68.5Σ	64.7Σ
J. W. Fergusson	25.5	29.7	26.7	29.6	29.3Σ	35.2Σ
Alford	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
CHP	23.7	22.0	18.8	13.0	---	---
Golden Belt	---	---	.1	.4	---	---

B-33

R: REDACTED MATERIAL

2051293775

 Page 9 of 10
 Class/Code 30-35/L,M,N

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 40-42 Description Soft Pack Closures

Unit of Measure Each Std. Cost \$ N/A Est. \$ Purchase _____

Est. Usage 8,768mm Est. Purch. Quantity 8,768mm

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. IPC & L	5,203 mm	50.3	6,444 mm	73.5	2 Weekly	4
2. J. W. Fergusson	4,177 mm	40.3	2,324 mm	26.5	2 Weekly	4
3. Vitex	977 mm	9.4	-0-	0	2 Weekly	4
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	10,357 mm	100.0	8,768 mm	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

1993 Buying Plan projections do not take into account
current inventories.

9228621502

Page 1 of 11
Class/Code 40-42
Approval R. D. Kelly
Prepared By D. E. Blackburn

Date: 12-18-92
Date: 12/11/92

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 200,000.00 - 550,000.00

STRATEGIES

DOLLARS

TIMETABLE

- | | | | |
|----|--|----------------------------|---------------|
| 1. | Eliminate third closure supplier, Vitex,
by 2nd quarter as a strategic move with
slight cost savings | | 1st Qtr., '93 |
| | - No development costs to move business | | |
| | - Tandem run savings | | |
| | - Reduction of formulation approvals | | |
| | - Improved appearance | | |
| | - Improved resource utilization | | |
| | - Improved quality | | |
| 2. | Resource Vitex closure volume to IPC | | 4th Qtr., '92 |
| | - Capacity available | | |
| | - All items currently produced at IPC
(No development costs) | | |
| 3. | Reduce cost of all American generic closure | \$170,000.00 | 1st Qtr., '93 |
| | - Reduced graphics tolerance: six versions
in process to be presented to New York.
New technology transfer of graphics adds
to savings. | | |
| 4. | Eliminate 5 different closures required
for Basic | TBD | 1st Qtr., '93 |
| | - No development cost, just do it. | | |
| 5. | Convert value price generics (i.e. Alpine,
Bristol, Cambridge) to standard closure | \$30,000.00 - \$370,000.00 | 2nd Qtr., '93 |
| | - No development costs | | |

Page 2 of 11
Class Code 40-42

2228621902

OBJECTIVES/STRATEGIES/ISSUES (cont.)

ASSUMPTIONS

- A. December forecast used to project 1993 volume is based on sales forecast not production forecast in order to meet financial goals of P.M.
- B. This buying plan assumes moving closures from Vitex to IPC.

ISSUES

- a. How to develop a cost model.

B-36

2051293778

Page 3 of 11
Class Code 40-42

'92 - '93 Initiatives - Closures

<u>Supplier</u>	<u>Brand</u>	<u>Description</u>	<u>PI Savings</u>	<u>Status</u>
IPC	Value Priced Generics	Convert to Standard Closure	372,627	Need Management Approval
IPC	Private Generics	Reduce Graphics Tolerances	171,000	Need Art Revisions
IPC	Various	Optimize Vitex		Need Project Approval

Page 4 of 11
Class/Code 40-42

Total PI Savings 543,627

B-37

2051293779

2051293780

B-38

EXPLANATIONS
(REQUIRED FOR ALL "U" RATINGS)

Page 5 of 11
Class/Code 40-42

SECURITY EVALUATION

SUPPLIER	IPC & L	J. W. Fergusson	Vitex
SECURITY	60 lb. PM1 - 30 days 65 lb. PM1 - 30 days Blue Bond 30-60 days	60 lb. PM1 30-45 days Blue Bond - 30 days	60 lb. PM1 - 30 days Blue Bond - 30 days
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	Rogersville, TN	Richmond, VA	Suffolk, VA
3. LABOR			
a. UNION	5 Unions	GCIU Local 788-5	None
b. CONTRACT EXPIRATION DATE	6/30/93	6/30/93	N/A
c. SITUATION	Excellent	Excellent	Excellent
4. ENERGY SOURCES	Gas, Electricity, Oil	Gas, Electricity	Gas, Electricity
5. CAPACITY (A/U)	A	A	A
6. FLEXIBILITY (A/U)	A	A	A
7. EPA COMPLIANCE (A/U)	A	A	A
8. FINANCIAL RATING (A/U)	A	A	A
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	A
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	A
OVERALL SECURITY (A/U)	A	A	A

A - ACCEPTABLE
U - UNACCEPTABLE

1828621902

Page 6 of 11
Class/Code 40-42

SUPPLIER EVALUATION

SUPPLIER	IPC & L	J. W. Fergusson	Vitex
USING LOCATION	R, L, C,	R, L, C	R, L, C
A. COST			
DELIVERED COST/UOM 1.	40-101B \$.35/m	40-101B \$.35/m	40-101B \$.29/m
2.	40-185A \$.40/m		40-185A \$.32/m
3.			
REBATE OFFERED (YES/NO)	NO	NO	NO
OVERALL COST (A/U)	A	A	A
B. QUALITY			
% ACCEPTANCE	98.56%	98.59%	99.80%
OVERALL QUALITY (A/U)	A	A	A
C. SERVICE (A/U)	A	A	A
D. SECURITY (FROM PAGE(S)) A/U	A	A	A
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4	4	4

A - ACCEPTABLE
U - UNACCEPTABLE

Page 7 of 11
Class/Code 40-42

2051293782

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (F)
TOTAL QUANTITY						
SUPPLIER	z	z	z	z	z	z
IPC & L	35.5	39.9	39.9	51.0	50.3	73.5z
J. W. Fergusson	38.6	37.1	38.3	33.2	40.3	26.5z
Vitex	25.5	23.0	21.3	15.8	9.4	-0-

B-41

2051293783

 Page 8 of 11
 Class/Code 40-42

Philip Morris USA
Printed Packaging

Vitex - Closure Analysis

In the '92 Buying Plan, closures had total projected volume of:

'92 Total Closures 9,605.960 m

The projected volume was to have shared as outlined below:

Vitex	3,588.780 m	37.36 %
IPC	3,912.440 m	40.73 %
JWF	<u>2,104.740 m</u>	<u>21.91 %</u>
	9,605.960 m	100.00 %

However, the current share is:

Vitex	976.900 m	9.43 %
IPC	5,208.411 m	50.24 %
JWF	<u>4,177.013 m</u>	<u>40.33 %</u>
	10,362.324 m	100.00 %

The difference in share has been explained quarterly through the Buying Plan Deviation Report.

The closures produced by Vitex have been limited to the following codes:

40-101B	Blue Bond 20 Class A Closure - GD RF
41-005B	Blue Leaf USTE Closure - GD RF

The total volumes for these items in the '92 BP was projected to be:

40-101B	973.200 m
41-005B	<u>980.620 m</u>
	1,953.820 m

However, the actual volume of closures received to date have been:

40-101B	306.650 m
41-005B	<u>351.300 m</u>
	657.950 m

IPC is the targeted source for these two items in '93. Therefore, based on the '92 BP volumes:

Code#	Volume	Std	IPC	diff	PI Savings
40-101B	973.200 m	.313	.300	.013	12,651.60
41-005B	<u>980.620 m</u>	.295	.300	-.005	<u>-4,903.10</u>
	1,953.820 m				\$ 7,748.50

Benefits: **Tandem Run Savings**
 Additional Savings could be attained

Reduction of Formulation Approvals
 Fewer formulations of inks / varnishes

Improved Appearance
 Improved Color Consistency between the Packs and
 Closures when the same inks are used.
 Improved Graphic Consistency, within a mat'l code, that
 is inherent when one supplier produces an item

Improved Quality
 The closures would gain the benefit of improved slitting
 tolerances at IPC with state of the art equipment

Improved Resources Utilization
 An overall reduction of Purchasing, QA, and PTS contacts

	<u>Vitex</u>	<u>IPC</u>	<u>IWF</u>	<u>Total</u>	
40-112B		603.650		603.650	36.6 %
40-101B	306.650	98.000		404.650	24.5 %
41-577B			245.950	245.950	14.9 %
41-005B	351.300	44.440		395.740	24.0 %
Totals	657.950	746.090	245.950	1,649.990	
	39.9 %	45.2 %	14.9 %		100 %

Page 11 of 11
Class/Code 40-42

9878621902

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 44 Description POLYPROPYLENE FILM

Unit of Measure LBS Std. Cost \$ Est. \$ Purchase REDACTED

Est. Usage 17,088,000 Est. Purch. Quantity 17,088,000

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units MM lbs	%	Units MM lbs	%		
1. HERCULES						
2. HOECHST	REDACTED		REDACTED		REDACTED	REDACTED
3. MOBIL						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total			REDACTED			

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION

1993 FORECAST 334 BILLION CIGARETTES
2828621902

Page 1 of 9
Class/Code 44 POLY
Approval Bob J. Kern Date: 2/12/93
Prepared By R.D. Kelly Date: 2/15/93

B-45

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 250,000

STRATEGIES:

TIMETABLE

1. DEVELOP AND QUALIFY FILMS WHICH WILL MAXIMIZE SAVINGS (UTILIZING MEXICAN PACK WRAP).
2. COORDINATE PROGRAMS WITH VENDORS THAT RELATE TO PRODUCT DEVELOPMENT AND MARKETING STRATEGIES.
3. NEGOTIATE COMPETITIVE PRICE WITH MOBIL AND HERCULES USING HOECHST AS STANDARD.

OTHER ISSUES:

1. CONTINUE DUTY DRAWBACK PROGRAM FOR OFF SHORE MATERIAL.
2. EVALUATE THE DEVELOPMENT OF COST EFFECTIVE SUBSTRATES WITH IMPROVED MOISTURE BARRIER FILMS.
3. OPTIMIZE THE PACK WRAP WIDTH AND CONTINUE THE STUDY FOR REDUCED WIDTH ON CARTON OVERWRAP.

B-46

Page 2 of 9
Class Code 44 POLY

2051293788

SUPPLIER EVALUATION

SUPPLIER	HERCULES	HOECHST	MOBIL
USING LOCATION	REDACTED	REDACTED	REDACTED
A. COST			
DELIVERED COST/UOM PACKWRAP 1. PER POUND		REDACTED	REDACTED
2.			
CARTON O/W PER POUND 3.	REDACTED	REDACTED	REDACTED
REBATE OFFERED (YES/NO)		REDACTED	REDACTED
OVERALL COST (A/U)		REDACTED	REDACTED
B. QUALITY			
Z ACCEPTANCE	REDACTED	REDACTED	REDACTED
OVERALL QUALITY (A/U)	REDACTED	REDACTED	REDACTED
C. SERVICE (A/U)	REDACTED	REDACTED	REDACTED
D. SECURITY (FROM PAGE(S) 5) A/U	REDACTED	REDACTED	REDACTED
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	REDACTED	REDACTED	REDACTED

A - ACCEPTABLE
U - UNACCEPTABLE

*\$1.655 PRICE FOR QTY PURCHASES BEYOND 7.4M LB. TO BE TAKEN
500,000 LBS FIRST QTR, 500,000 LBS 4TH QTR.

Page 3 of 9
Class/Code 44 POLY

6843621902

R: REDACTED MATERIAL

SECURITY EVALUATION

SUPPLIER	HERCULES	HOECHST	MOBIL
SECURITY	REDACTED	REDACTED	REDACTED
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	REDACTED	REDACTED	REDACTED
3. LABOR	REDACTED	REDACTED	REDACTED
a. UNION			
b. CONTRACT EXPIRATION DATE			
c. SITUATION	REDACTED		
4. ENERGY SOURCES		REDACTED	
5. CAPACITY (A/U)			
6. FLEXIBILITY (A/U)			
7. EPA COMPLIANCE (A/U)			
8. FINANCIAL RATING (A/U)			
9. CORPORATE MANAGEMENT STRENGTH (A/U)			
10. CORPORATE MANAGEMENT COMMITMENT (A/U)			
OVERALL SECURITY (A/U)			

A - ACCEPTABLE
U - UNACCEPTABLE

2051293790

Page 4 of 9
Class/Code 44 POLY

R: REDACTED MATERIAL

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY (MILLIONS OF LBS)	14.3	14.8	17.2	16.5	16.5	17
SUPPLIER	Z	Z	Z	Z	Z	Z
HERCULES	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
HOECHST	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
MOBIL	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

B-49

R: REDACTED MATERIAL

1648621502

Page 5 of 9
Class/Code 44 POLY

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: MOBIL	1991	1990	1989
-----------------	------	------	------

Current Ratio:

1. Enter Current Assets	12,401	13,231	N/A
2. Enter Current Liabilities	13,602	13,653	N/A
3. Current Ratio (Line 1/Line2)	.91	.969	N/A

Debt To Assets Ratio:

1. Enter Total Debt	24,653	24,593	22,666
2. Enter Total Assets	42,187	41,665	39,080
3. Debt To Assets Ratio (Line 1/Line 2)	.58	.59	.58

Profit Margin On Sales:

1. Enter Net Income	1,920	1,929	1,809
2. Enter Sales	63,227	64,472	56,188
3. Profit Margin On Sales (Line 1/Line 2)	3.03%	2.99%	3.21%

Return On Total Assets:

1. Enter Net Income	1,920	1,929	1,809
2. Enter Total Assets	42,187	41,665	39,080
3. Return On Total Assets (Line 1/Line 2)	4.55%	4.62%	4.62%

Earnings Per Share:

4.65	4.60	4.40
------	------	------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 6 of 9
Class/Code 44

7628621902

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: <i>HOECHST</i>	1991	1990	1989
--------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	6,539	6,766	
2. Enter Current Liabilities	3,073	2,965	
3. Current Ratio (Line 1/Line2)	2.13	2.28	

Debt To Assets Ratio:

1. Enter Total Debt	14,487	14,396	
2. Enter Total Assets	23,498	22,946	
3. Debt To Assets Ratio (Line 1/Line 2)	.62	.63	

Profit Margin On Sales:

1. Enter Net Income	893	1,138	
2. Enter Sales	28,425	27,865	
3. Profit Margin On Sales (Line 1/Line 2)	3.14%	4.08%	

Return On Total Assets:

1. Enter Net Income	893	1,138	
2. Enter Total Assets	23,498	22,946	
3. Return On Total Assets (Line 1/Line 2)	3.80%	4.96%	

Earnings Per Share:

14.07	15.59	
-------	-------	--

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 7 of 9
Class/Code 44

8628621902

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: <i>HERCULES</i>	1991	1990	1989
---------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	1,411.1	1,599.8	1,502
2. Enter Current Liabilities	764.3	907.8	883
3. Current Ratio (Line 1/Line2)	1.84	1.76	1.7

Debt To Assets Ratio:

1. Enter Total Debt	1,548	1,757.7	1,609.2
2. Enter Total Assets	3,466.8	3,699.6	3,653.2
3. Debt To Assets Ratio (Line 1/Line 2)	.446	.475	.440

Profit Margin On Sales:

1. Enter Net Income	94.9	96	(81.3)
2. Enter Sales	2,928.9	3,199.9	3,091.7
3. Profit Margin On Sales (Line 1/Line 2)	3.24%	3.0%	(NA)

Return On Total Assets:

1. Enter Net Income	94.9	96	(81.3)
2. Enter Total Assets	3,466.8	3,699.6	3,653.2
3. Return On Total Assets (Line 1/Line 2)	2.73%	2.59%	(NA)

Earnings Per Share:

2.01	2.04	(2.09)
------	------	--------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

7628621902

Page 8 of 9
Class/Code 44 POLY

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class		44		Description		POLYPROPYLENE		Forecast Date		10/21/92	
Unit of Measure		LBS									
Vendor Name		1993		1994		1995		1996		1997	
		Units	%	Units	%	Units	%	Units	%	Units	%
Vendor A HERCULES		REDACTED		REDACTED		REDACTED		REDACTED		REDACTED	
Vendor B HOECHST		REDACTED		REDACTED		REDACTED		REDACTED		REDACTED	
Vendor C MOBIL		REDACTED		REDACTED		REDACTED		REDACTED		REDACTED	
TOTAL:		17,000,000	100.0	17,356,150	100.0	17,559,217	100.0	17,620,147	100.0	17,812,207	100.0

ISSUES:

- *RETAIN MOBIL AS DOMESTIC SOURCE (STRATEGIC PLAN)
- *ELIMINATE HERCULES -IS NOT QUALIFIED ON PACK COEX (STRATEGIC PLAN)
- *ALLIANCE WITH HOECHST IN PLACE EXCEPT FOR CERTIFICATION
- *CONTINUE TO DEVELOP HIGH BARRIER FILM
- *EVALUATE THE REPLACEMENT OF FOIL WITH METALLIZED POLY

2051293795

R: REDACTED MATERIAL

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 47 Description TEAR TAPE
Unit of Measure LBS Std. Cost \$ Est. \$ Purchase \$2,500,000
Est. Usage 487,972 Est. Purch. Quantity 487,972

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. ARLIN	456,213	91.7	456,213	93.5	2-QUARTERLY	4
2. KT IND	8,451	1.7	9,111	1.8	2-QUARTERLY	N/A
3. SONOCO	326		(1)		2-QUARTERLY	N/A
4. PAYNE	33,060	6.6	22,648	4.7	2-QUARTERLY	N/A
5.						
6.						
7.						
8.						
9.						
10.						
Total	497,724	100.0	487,972	100.0		

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION (1) ELIMINATED AS A SOURCE OF SUPPLY DUE TO
QUALITY PERFORMANCE.
1993 FORECAST 334 BILLION CIGARETTES

Page 1 of 6
Class/Code 47 TEAR TAPE
Approval Beth F. Long Date: 2/12/93
Prepared By R.D. Kelly Date: 2/15/93

9628621902

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 143,000

STRATEGIES:

TIMETABLE

1. COORDINATE WITH OPERATIONS SERVICES AND VENDORS THE DEVELOPMENT AND QUALIFICATION OF NEW TEAR TAPES FOR THE REPLACEMENTS OF WAX POTS CURRENTLY BEING USED.
2. CONTINUE TO OPTIMIZE THE USE OF EXTRUDED TAPE VERSUS THE LAMINATED PRINTED TAPES FOR ADDITIONAL COST SAVING.

OTHER ISSUES:

1. DEVELOP KTI CARTON O/W TEAR TAPE FOR COST SAVINGS AND IMPROVED SERVICE.
2. QUALIFY ARLIN'S PRE-APPLIED HEAT RELEASE TEAR TAPE FOR ALTERNATIVE TO PRESSURE SENSITIVE TEAR TAPE.

B-155

Page 2 of 6
Class Code 47 TEAR TAPE

2051293797

SUPPLIER EVALUATION

SUPPLIER	ARLIN		
USING LOCATION	RICH-LVL-CAB		
A. COST			
DELIVERED COST/UOM EXTRUDED 1.	\$2.14/LB		
METALLIZED 2.	\$20.00/LB		
PRINTED 3.	\$12.85/LB		
REBATE OFFERED (YES/NO)	NO		
OVERALL COST (A/U)	A		
B. QUALITY			
Z ACCEPTANCE			
OVERALL QUALITY (A/U)	A		
C. SERVICE (A/U)	A		
D. SECURITY (FROM PAGE(S) 5) A/U	A		
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4		

A - ACCEPTABLE

U - UNACCEPTABLE

8628621902

Page 3 of 6
Class/Code 47 TEAR TAPE

SECURITY EVALUATION

SUPPLIER	ARLIN		
SECURITY	RESINS - 6 MONTHS		
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	LOWELL, MASS 2 BUILDINGS		
3. LABOR			
a. UNION	NON UNION		
b. CONTRACT EXPIRATION DATE			
c. SITUATION			
4. ENERGY SOURCES	ELEC/GAS		
5. CAPACITY (A/U)	6M LBS OPP 150M LBS POLYESTER		
6. FLEXIBILITY (A/U)	A		
7. EPA COMPLIANCE (A/U)	A		
8. FINANCIAL RATING (A/U)	A		
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A		
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A		
OVERALL SECURITY (A/U)	A		

A - ACCEPTABLE
U - UNACCEPTABLE

Page 4 of 6
Class/Code 47 TEAR TAPE

6628621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY THOUSAND OF LBS	448	443	531	500	500	488
SUPPLIER	Z	Z	Z	Z	Z	Z
ARLIN	79.2	74.3	77.6	91.7	91.7	93.5
BEMIS	N/A	N/A	N/A	N/A	N/A	N/A
HOECHST	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
KT	4.3	7.7	9.5	1.7	1.8	1.8
MJI	6.9	11.1	1.9	N/A	N/A	N/A
SONOCO	5.3	1.4	1.7	N/A	N/A	N/A
PAYNE	4.0	5.2	9.1	6.6	6.6	4.7

B-158

R: REDACTED MATERIAL

0088621902

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class Unit of Measure		47 LBS		Description Forecast Date		TEAR TAPE 10/21/92			
		1993		1994		1995		1996	
Vendor Name		Units	%	Units	%	Units	%	Units	%
Vendor A	ARLIN	456,213	93.5	465,885	93.5	471,336	93.5	472,971	93.5
Vendor B	KTI	9,111	1.8	9,304	1.9	9,413	1.9	9,446	1.9
Vendor C	SUPA STRIP	22,648	4.7	23,128	4.6	23,399	4.6	23,480	4.6
Total:		487,972	100.0	498,317	100.0	504,147	100.0	505,897	100.0
								511,411	100.0

ISSUES:

*RETAIN ALL SUPPLIERS 1993

*THERE WILL BE NO PLANNED ALLIANCE WITH TEAR TAPE SUPPLIERS DUE TO THE SPECIALIZATION REQUIREMENTS WHICH SPLIT THIS SMALL VOLUME BUSINESS

*DEVELOP KT FOR TEAR TAPE CARTON O/W FOR COST SAVINGS

1088621502

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class C.D.S.50.53 Description DOMESTIC & EXPORT CARTONS

Unit of Measure EA Std. Cost \$ N/A Est. \$ Purchase _____

Est. Usage 1,755,730,000 Est. Purch. Quantity 1,755,730,000

Supplier Name	Annual Purchases				Commitment (*)	Overall Evaluation
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. VA. FOLDING BOX	840,000,000	48.8	756,270,000	43.07	2	4.0
2. RICHMOND GRAVURE	620,000,000	36.0	683,440,000	38.93	2	4.0
3. SOMERVILLE PKG	160,000,000	9.3	247,190,000	14.08	2	4.0
4. GRAVURE PKG	90,000,000	5.2	42,790,000	2.44	2	4.0
5. AGI, INC.	10,500,000	.61	26,040,000	1.48	2	4.0
6. ALFORD PACKAGING	1,470,000	.09	-0-	0.00	N/A	
7.						
8.						
9.						
10.						
Total	1,721,970,000	100.0	1,755,730,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

2088621902

Page 1 of 17
Class/Code C.D.S.50 & 53
Approval R.D. Kelly Date: _____
Prepared By A. C. MAYS Date: 12-14-92

OBJECTIVES/STRATEGIES/ISSUES
CARTONS
1993 BUYING PLAN

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$4,850,000 - \$6,500,000

OVERALL STRATEGY FOR CARTONS: CONTINUE OPTIMIZATION EFFORTS WITH AN EMPHASIS ON COST SAVINGS, DIE/BRAND CONSOLIDATION/STANDARDIZATION AND FURTHER SUPPLIER REDUCTION.

<u>STRATEGIES</u>	<u>APPROXIMATE \$ SAVINGS</u>	<u>TIMETABLE</u>
CONTINUE EFFORTS TO FURTHER REDUCE GENERIC CARTON PRICING	\$3,000,000 - \$3,500,000	DECEMBER, 1992 \$3,308,768 PI SAVINGS SUBMITTED 12/92
1993 REBATE PROGRAM WITH SOMERVILLE	\$200,000 - \$400,000 CHECK ISSUED 4TH 1993	4TH QTR, 1992 - 3RD QTR, 1993
GRAPHICS/TEXTURE STANDARDIZATION (I.E. SCANDANAVIA) BRAND RATIONALIZATION	\$500,000 - \$1,000,000	CRITICAL PROJECT
IDENTIFY SPECIFIC BRANDS FOR ANNUAL PURCHASES	\$50,000 - \$100,000	1ST QTR, 1993

2051293803

OBJECTIVES/STRATEGIES/ISSUES
CARTONS
1993 BUYING PLAN

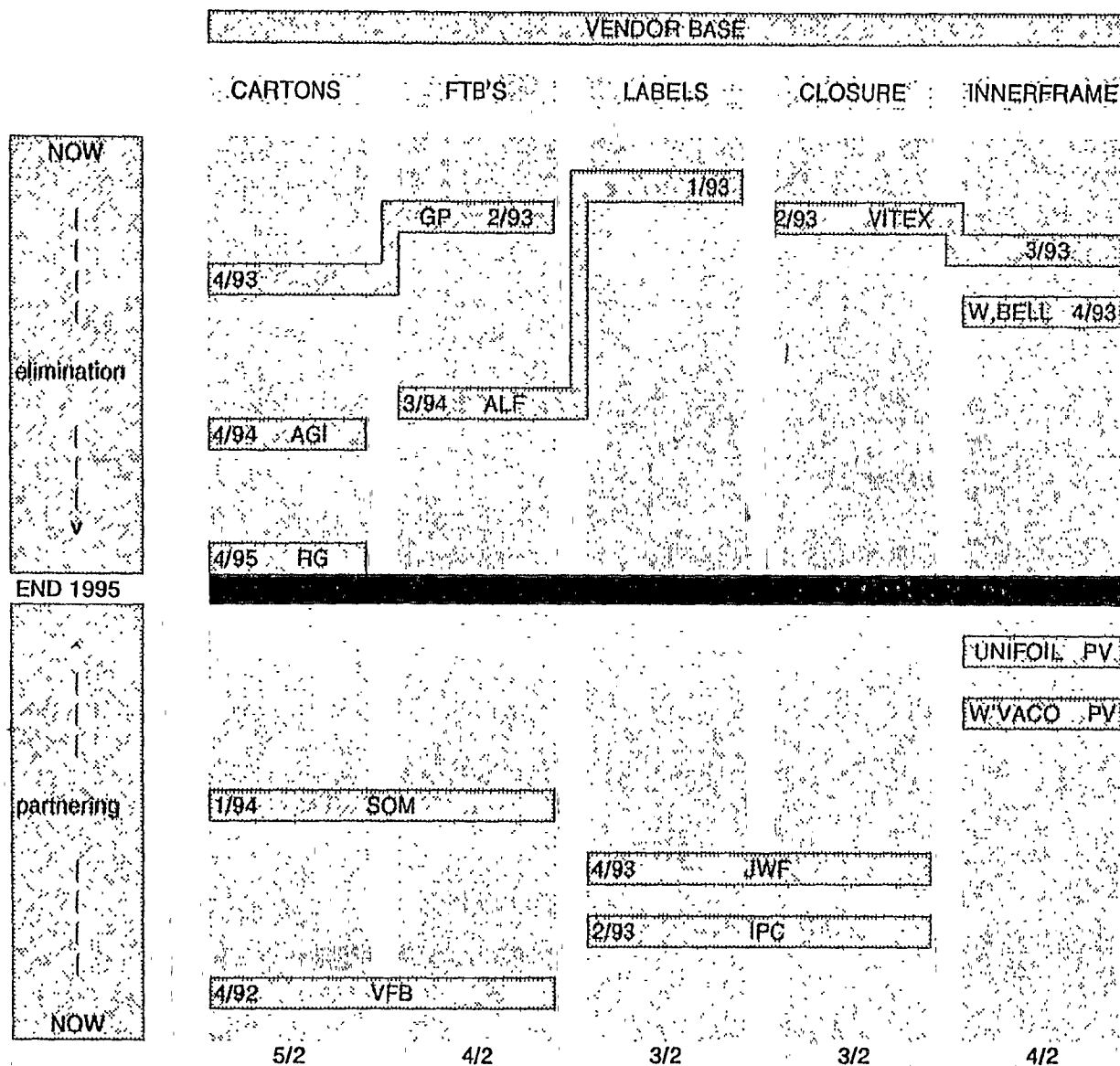
OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$4,850,000 - \$6,500,000

OVERALL STRATEGY FOR CARTONS: CONTINUE OPTIMIZATION EFFORTS WITH AN EMPHASIS ON COST SAVINGS, DIE/BRAND CONSOLIDATION/STANDARDIZATION AND FURTHER SUPPLIER REDUCTION.

<u>STRATEGIES</u>	<u>APPROXIMATE \$ SAVINGS</u>	<u>TIMETABLE</u>
OPTIMIZE RICHMOND GRAVURE WITH HIGH VOLUME, DUAL SOURCED BRANDS. DEVELOP PLAN TO ELIMINATE RG AS A SUPPLIER IN 1995.	\$900,000 - \$1,500,000	4TH QUARTER, 1992 BEGAN OPTIMIZING PROCESS WITH MARLBORO KS; PI SAVINGS SUBMITTED 9/92. FURTHER OPTIMIZATION TO
FURTHER SUPPLIER CONSOLIDATION GRAVURE PACKAGING SCHEDULED FOR END OF 1993.	\$200,000 - \$400,000 (GP ONLY)	1993

2051293804



2051293805

SUPPLIER	CAPITAL EXPENDITURE	STATUS
VIRGINIA FOLDING BOX	NEW GRAVURE PRESS	REVIEW PROCESS; ONE YEAR LEAD TIME
RICHMOND GRAVURE	NEW GRAVURE PRESS TIMETABLE - PENDING REVIEW AND APPROVAL, OPERATIONAL 1995	REVIEW PROCESS
SOMERVILLE PACKAGING	OFFSET PRESS IN WILLIAMSBURG NEW PLANT IN DANVILLE GRAVURE PRESS IN DANVILLE (8 COLOR-OPERATIONAL 1ST QUARTER, 1993)	APPROVED, OPERATIONAL 2ND QUARTER, 1993 APPROVED APPROVED
GRAVURE PACKAGING	PLANT EXPANSION (BEGINNING 11/92) NEW GRAVURE PRESS (54 - INCH, 8 COLOR, EMBOSSING CAPABILITIES TIMETABLE, JULY 1993)	APPROVED APPROVED

2051293806

SECURITY EVALUATION

SUPPLIER	VIRGINIA FOLDING BOX	RICHMOND GRAVURE	SOMERVILLE PACKAGING
SECURITY 1. RAW MATERIALS	WESTVACO - VERTICALLY INTEGRATED 4 WEEKS	WESTVACO 45 DAYS	WESTVACO WILLIAMSBURG - 6 WEEKS BROCKVILLE-JUST IN TIME WESTVACO MAINTAINS 3-4 WEEKS OF BOARD IN SYRACUSE, NEW
2. PLANTS & LOCATIONS	RICHMOND, VIRGINIA CLEVELAND, TENNESSEE	RICHMOND, VIRGINIA RALEIGH, NORTH CAROLINA	NEWPORT NEWS, VIRGINIA BROCKVILLE, CANADA SMITHFALLS, CANADA
3. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION	BELL PRINTING PRESSMAN UNION LOCAL 670-RICHMOND TENNESSEE GRAPHIC COMMUNICATION UNION, LOCAL 5275 TENNESSEE 4/14/93; 9/26/94 CALM; CALM	NON-UNION	WILLIAMSBURG & BROCKVILLE NON-UNION SMITHFALLS-GCIU LOCAL 763 1/31/94 STABLE
4. ENERGY SOURCES	NATURAL GAS #2 FUEL ELECTRICITY	ELECTRICITY, NATURAL	ELECTRICITY, NATURAL GAS
5. CAPACITY (A/U)	A	A	A
6. FLEXIBILITY (A/U)	A	A	A
7. EPA COMPLIANCE (A/U)	A	A	A
8. FINANCIAL RATING (A/U)	A	A	A
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	A
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	A
OVERALL SECURITY (A/U)	A	A	A

A - ACCEPTABLE
U - UNACCEPTABLE

2051293802

Page 6 of 17
Class/Code C,D,S, 50 & 53

SECURITY EVALUATION

SUPPLIER	GRAVURE PACKAGING	A.G.I., INC.	
SECURITY	WESTVACO 2-3 WEEKS	WESTVACO	
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	RICHMOND, VIRGINIA	MELROSE PARK, ILLINOIS	
3. LABOR	NON-UNION	NON-UNION	
a. UNION			
b. CONTRACT EXPIRATION DATE			
c. SITUATION			
4. ENERGY SOURCES	NATURAL GAS	ELECTRICITY	
5. CAPACITY (A/U)	A	A	
6. FLEXIBILITY (A/U)	A	A	
7. EPA COMPLIANCE (A/U)	A	A	
8. FINANCIAL RATING (A/U)	A	A	
9. CORPORATE MANAGEMENT STRENGTH (A/U)	A	A	
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	A	A	
OVERALL SECURITY (A/U)	A		

A - ACCEPTABLE
 U - UNACCEPTABLE
 OR NUMERICAL RATING DEPENDING UPON MATERIAL

Page 7 of 17
 Class/Code C.D.S. 50 & 53

8088621902

SUPPLIER EVALUATION

SUPPLIER	VIRGINIA FOLDING BOX	RICHMOND GRAVURE	SOMERVILLE PACKAGING
USING LOCATION	R, L, C	R, L, C	R, L, C
A. COST			
DELIVERED COST/UOM	1. P.M. SUPER LTS	MARL KS	PM SUPER LTS
	2. 5,184,000 \$42.18/M	17,280,000 \$36.80/M	5,184,000 \$47.79/M
	3.		MARL KS
			17,280,000 \$40.63/M
REBATE OFFERED (YES/NO)	NO	NO	(GENERIC BRANDS REBATE PROGRAM) YES
OVERALL COST (A/U)	A	A	A
B. QUALITY			
% ACCEPTANCE	99.42	98.48	99.64
OVERALL QUALITY (A/U)	A	A	A
C. SERVICE (A/U)	A	A	A
D. SECURITY (FROM PAGE(S)) A/U	A	A	A
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	4	4	4

A - ACCEPTABLE
U - UNACCEPTABLE

Page 8 of 17
Class/Code C.D.S.50 & 53

6088621902

SUPPLIER EVALUATION

SUPPLIER	A.G.I., INC.	GRAVURE PACKAGING	
USING LOCATION	R, L, C	R, L, C	
A. COST	A	A	
DELIVERED COST/UOM 1.			
2.			
3.			
REBATE OFFERED (YES/NO)	NO	NO	
OVERALL COST (A/U)	A	A	
B. QUALITY	A		
% ACCEPTANCE	* N/A	99.94	
OVERALL QUALITY (A/U)	A	A	
C. SERVICE (A/U)	N/A	A	
D. SECURITY (FROM PAGE(S)) A/U	A	A	
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	3	4	

A - ACCEPTABLE *% Acceptance not available since they began supplying
U - UNACCEPTABLE cartons fourth quarter, 1992.
OR NUMERICAL RATING DEPENDING UPON MATERIAL.

Page 9 of 17
 Class/Code C.D.S. 50 & 53

0188621902

Financial Analysis Worksheet

(Millions of Dollars; all data as of ^{October} December 31, 1991 unless otherwise indicated.)

Supplier: WESTVACO CORPORATION	1991	1990	1989
--------------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	623.8	667.9	624.4
2. Enter Current Liabilities	314.1	297.8	296.2
3. Current Ratio (Line 1/Line 2)	2.0	2.2	2.1

Debt To Assets Ratio:

1. Enter Total Debt	987.7	980.3	785.9
2. Enter Total Assets	3461.9	3332.0	2960.9
3. Debt To Assets Ratio (Line 1/Line 2)	0.29	0.29	0.27

Profit Margin On Sales:

1. Enter Net Income	137.4	188.2	223.1
2. Enter Sales	2301.2	2410.8	2284.1
3. Profit Margin On Sales (Line 1/Line 2)	6.0%	7.8%	9.8%

Return On Total Assets:

1. Enter Net Income	137.4	188.2	223.1
2. Enter Total Assets	3461.8	3332.0	2960.1
3. Return On Total Assets (Line 1/Line 2)	4.0%	5.6%	7.5%

Earnings Per Share:

\$2.10	\$2.90	\$3.45
--------	--------	--------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

1188621902

Page 10 of 17
Class/Code C,D,S, 50 & 53

Financial Analysis Worksheet

** (Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: PAPERBOARD INDUSTRIES	1991	1990	1989
---------------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	164	172	210
2. Enter Current Liabilities	104	96	116
3. Current Ratio (Line 1/Line2)	1.58	1.79	1.81

Debt To Assets Ratio:

1. Enter Total Debt	328	336	348
2. Enter Total Assets	778	797	838
3. Debt To Assets Ratio (Line 1/Line 2)	.42	.42	.42

Profit Margin On Sales:

1. Enter Net Income	(14)	4	7
2. Enter Sales	571	628	660
3. Profit Margin On Sales (Line 1/Line 2)	(2.5%)	.6%	1.1%

Return On Total Assets:

1. Enter Net Income	(14)	4	7
2. Enter Total Assets	778	797	838
3. Return On Total Assets (Line 1/Line 2)	(1.8%)	.5	.8

Earnings Per Share:

*

N/A	N/A	N/A
-----	-----	-----

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 11 of 17
Class/Code C,D,S,50 & 53

2188621502

PRIVATE HELD COMPANY

** DATA IS EXPRESSED IN CANADIAN DOLLARS AS OF 8/31/89; 8/31/90; 8/31/91

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

Supplier: International Paper	1991	1990	1989
-------------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	4,131	3,939	3,096
2. Enter Current Liabilities	3,727	3,155	2,730
3. Current Ratio (Line 1/Line2)	1.11	1.25	1.13

Debt To Assets Ratio:

1. Enter Total Debt	5,050	4,183	3,341
2. Enter Total Assets	14,941	13,669	11,582
3. Debt To Assets Ratio (Line 1/Line 2)	.33	.31	.29

Profit Margin On Sales:

1. Enter Net Income	184	569	845
2. Enter Sales	12,703	12,960	11,378
3. Profit Margin On Sales (Line 1/Line 2)	1.4%	4.4%	7.4%

Return On Total Assets:

1. Enter Net Income	184	569	845
2. Enter Total Assets	14,941	13,669	11,582
3. Return On Total Assets (Line 1/Line 2)	1.2%	4.2%	7.3%

Earnings Per Share:

1.66	5.21	7.72
------	------	------

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 12 of 17
Class/Code C,D,S,50 & 53

8188621902

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.) As of October 31

Supplier: GRAVURE PACKAGING	1991	1990	1989
-----------------------------	------	------	------

Current Ratio:

1. Enter Current Assets	5.973	3.162	4.205
2. Enter Current Liabilities	4.765	2.687	3.908
3. Current Ratio (Line 1/Line2)	1.25	1.18	1.08

Debt To Assets Ratio:

1. Enter Total Debt	4.179	2.357	3.180
2. Enter Total Assets	11.843	7.471	8.591
3. Debt To Assets Ratio (Line 1/Line 2)	.35	.32	.37

Profit Margin On Sales:

1. Enter Net Income			
2. Enter Sales			
3. Profit Margin On Sales (Line 1/Line 2)			

Return On Total Assets:

1. Enter Net Income			
2. Enter Total Assets			
3. Return On Total Assets (Line 1/Line 2)			

Earnings Per Share:

--	--	--

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 13 of 17
Class/Code C,D,S,50 & 53

2051293814

2051293815

October 29, 1992

Ms. Arlene C. Mays
Philip Morris USA
P.O. Box 26603
Richmond, Virginia 23261

Dear Arlene:

In response to your request for financial information for the 1993 Buying Plan, we offer the following:


On May 5, 1992, the management shareholders of Gravure Packaging, in conjunction with First Union Commercial Corporation (First Union), acquired the interests of the remaining shareholders. This transaction was made possible because First Union was impressed with the performance of the Gravure Packaging management, and preferred to participate in the future growth of the company on an equity basis, rather than strictly as a lender.

The management has always been committed to growing the company and is delighted to have a strong financial equity partner who is motivated to provide the capital to continue to do this. As part of the package, Gravure Packaging now has a four million dollar five-year working capital line and commitments to expand our plant and add an additional press line.

Several years ago First Union participated in a very successful similar investment with Mebane Packaging, an offset printer in North Carolina, and has thus far provided the financial resources for three expansions and one aquisition within a 3-year period.

We believe our present arrangement with First Union places Gravure Packaging in a very strong financial position to continue our program of growth and expansion to meet our customers' needs. If you would like to discuss this information further, please call us, or, if you would like to talk directly to First Union, you may contact Mr. L. Watts Hamrick, Vice President of the Investment Banking Group, at (704)374-4767.

Sincerely,



John S. Waring, III
President

JSW/dmr

Gravure Packaging, Inc. • 4500 Sarellen Road • Richmond, VA 23231
(804) 222-1016 • FAX (804) 226-2350

Page 14 of 17
Class/Code C.D.S.50 & 53

2051293816

GRAVURE PACKAGING
SERVICE OBJECTIVES

1. Implement a computerized carrier bill of lading system which will interface with our shipping release system and invoicing system.

Completion Date: December 1992

2. Implement a computerized carrier tracking system to track on-time delivery.

Completion Date: June 1993

3. Implement a computerized cylinder tracking system.

Completion Date: June 1993

4. Write and implement a computerized docket system.

Completion Date: June 1993

5. Implement transmission of pricing matrices by electronic data interchange as requested by Philip Morris.

Completion Date: April 1993

Page 15 of 17
Class/Code C,D,S,50 & 53

Gravure Packaging, Inc. • 4500 Sarellen Road • Richmond, VA 23231
(804) 222-1016 • FAX (804) 226-2350

Financial Analysis Worksheet

(Millions of Dollars; all data as of December 31, 1991 unless otherwise indicated.)

AGI, INC.	1991	1990	1989
-----------	------	------	------

Current Ratio:

1. Enter Current Assets	12,479,532	11,598,000	10,776,601
2. Enter Current Liabilities	9,455,601	9,658,550	7,012,436
3. Current Ratio (Line 1/Line2)	1.32	1.20	1.54

Debt To Assets Ratio:

1. Enter Total Debt	10,716,365	12,288,423	11,621,757
2. Enter Total Assets	25,412,274	24,676,325	24,014,427
3. Debt To Assets Ratio (Line 1/Line 2)	.42	.50	.48

Profit Margin On Sales:

1. Enter Net Income	3,277,917	3,238,502	2,038,608
2. Enter Sales	55,992,101	52,597,300	42,627,015
3. Profit Margin On Sales (Line 1/Line 2)	.058	.061	.047

Return On Total Assets:

1. Enter Net Income	3,277,917	3,238,502	2,038,608
2. Enter Total Assets	25,412,274	24,676,325	24,014,427
3. Return On Total Assets (Line 1/Line 2)	.129	.131	.085

Earnings Per Share:

N/A	N/A	N/A
-----	-----	-----

CONFIDENTIAL...Not to be removed from Philip Morris Materials Purchasing Department.

Page 16 of 17

Class/Code C,D,S,50 & 53

2188621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	1,457,830M	1,570,725M	1,698,764M	1,716,531M	1,721,970M	1,755,730M
SUPPLIER	Σ	Σ	Σ	Σ	Σ	Σ
VIRGINIA FOLDING BOX	34.9	34.0	32.8	31.98	48.8	43.07
RICHMOND GRAVURE	25.1	28.2	30.9	29.41	36.0	38.93
SOMERVILLE PACKAGING	3.1	1.4	4.8	6.97	9.3	14.08
GRAVURE PACKAGING	7.80	13.0	7.7	10.67	5.2	2.44
*A.G.I., INC.	-0-	-0-	-0-	-0-	.61	1.48
ALFORD PACKAGING	REDACTED		REDACTED		REDACTED	
FEDERAL	24.8	20.1	19.9	19.60	-0-	-0-

*Until 4th quarter, 1992, AGI's participation has been limited to the promotional area.

Page 17 of 17
 Class/Code C.D.S. 50 & 53

8188621902

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 54,55,56,57,58 Description RICH/LVL/CAB-CORRUGATED CASES
Unit of Measure EA Std. Cost \$ Est. \$ Purchase \$
Est. Usage 31,569,453 Est. Purch. Quantity REDACTED

Supplier Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. BOISE CASCADE (L)	2,050,060	6.4	0	0.0		
2. INLAND (C)	REDACTED					
3. INLAND (L)	REDACTED					4
4. INLAND (R)	REDACTED					3
5. PCA (C)	231,535	0.7	0	0.0		
6. STONE NORTH (R)	1,728,686	5.4	0	0.0		
7. UNION CAMP (R)	4,363,023	13.6	315,695	1.0	2	
8. WEYERHAEUSER (C)	6,959,726	21.7	2,209,862	7.0	2	
9. WEYERHAEUSER (L)	2,877,455	8.9	0	0.0		
10.						
Total	32,126,631	100.0	31,569,453	100.0		

* 1. Contract 2. Purchase Order 3. Other

EXPLANATION

1993 FORECAST 333.9 BILLION CIGARETTES

6188621902

Page 1 of 8
Class/Code 54,55,56,57,58
Approval [Signature] Date:
Prepared By R.E. Sinton Date: 2/18/93

R: REDACTED MATERIAL

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.
PROJECTED 1993 SAVINGS: \$ 3,200,000-3,800,000

STRATEGIES:

TIMETABLE

TRANSITION TO INLAND CONTAINER (SOUTHEAST STRATEGIC SUPPLIER ALLIANCE) 100% OF PM USA CONTAINER VOLUME.

- | | |
|---|------------------|
| -TRANSFER AND INSPECTION OF EXISTING SUPPLIER'S DIES TO THE APPROPRIATE INLAND FACILITY. | NOV. 92-JAN 93 |
| -ASSIMILATE THE PHILIP MORRIS CITY VOLUME TO THE PRIMARY INLAND PLANT AS CAPACITY BECOMES AVAILABLE | |
| - LOUISVILLE (ALL VOLUME) | JANUARY 1, 1993 |
| - RICHMOND (ALL VOLUME), MAINTAIN UNION CAMP UNTIL CORRUGATOR MODIFICATION IS COMPLETE AND NEW FLEXO IS INSTALLED. | JANUARY 31, 1993 |
| - CABARRUS (ALL VOLUME), MAINTAIN WEYERHAEUSER (CHARLOTTE) UNTIL INLAND (ROCK HILL) PLANT QUALIFICATION IS COMPLETED. | MARCH 31, 1993 |

OTHER ISSUES:

- 1993 COST SAVING WILL BE DEPENDENT ON THE AVAILABILITY OF RESOURCES TO TEST AND IMPLEMENT PROPOSALS, ALTHOUGH INLAND HAS GUARANTEED SAVINGS OF 13% ON TOTAL DOLLAR VOLUME.
- QUALIFICATION OF INLAND (ROCK HILL)
- STABLE "PRODUCTION ZONE" BY PHILIP MORRIS.
- INCREASED INVENTORY DUE TO BRAND PROLIFERATION AND IDENTIFIER CASES.

THE INLAND CONTAINER MARKETING AND TECHNICAL CENTER HAS A NEW-GENERATION PROGRAMMABLE VIBRATION TEST UNIT WHICH PERMITS IN-LAB TESTING THAT CLOSELY SIMULATES REAL IN-TRANSIT CONDITIONS. THIS CAPABILITY WILL BE USED TO EVALUATE NEW MATERIAL COMBINATIONS IN THE CIGARETTE PACK, CARTON AND CORRUGATED CASE.

WITH THE TECHNICAL CENTER CAPABILITIES, WE WILL FIRST DETERMINE THE ACTUAL SHIPPING AND HANDLING ENVIRONMENTS TO WHICH THE NEW DESIGN WILL BE SUBJECTED AND THEN USE THE APPROPRIATE TEST SERIES TO MATCH THESE CONDITIONS.

Page 2 of 8
Class Code 54,55,56,57,58

0288621902

1993 Direct Material Buying Plan

Material Code/Super Class	<u>54,55,56,57&58</u>
Unit of Measure	EA

Description	<u>RICH/LVL/CAB-CORRUGATED CASES</u>
Forecast Date	DECEMBER 15, 1992

Supplier Name	1993		P	1994		P	1995		P	1996		P	1997	
	Units	%		Units	%		Units	%		Units	%		Units	%
INLAND	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED	
UNION CAMP (R)	315,695	1.0			0.0			0.0			0.0			0.0
WEYERHAEUSER (C)	2,209,862	7.0			0.0			0.0			0.0			0.0
	31,569,453	100.0		32,353,466	100.0		32,805,866	100.0		32,967,066	100.0		33,396,934	100.0

FORECAST

1993 – 333.9 BILLION CIGARETTES
1994 – 341.1 BILLION CIGARETTES
1995 – 345.1 BILLION CIGARETTES
1996 – 346.3 BILLION CIGARETTES
1997 – 350.1 BILLION CIGARETTES

2051293821

R: REDACTED MATERIAL

SUPPLIER EVALUATION

SUPPLIER	REDACTED	
USING LOCATION	REDACTED	
A. COST	REDACTED	
DELIVERED COST/UOM 54-012R 1.	REDACTED	
54-180G 2.	REDACTED	
54-290U 3.	REDACTED	
REBATE OFFERED (YES/NO)	REDACTED	
OVERALL COST (A/U)	REDACTED	
B. QUALITY	REDACTED	
X ACCEPTANCE	REDACTED	
OVERALL QUALITY (A/U)	REDACTED	
C. SERVICE (A/U)	REDACTED	
D. SECURITY (FROM PAGE(S)) A/U	REDACTED	
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	REDACTED	

A - ACCEPTABLE
U - UNACCEPTABLE

2051293822

Page 4 of 8
Class/Code 54,55,56,57,58

R: REDACTED MATERIAL

SECURITY EVALUATION

SUPPLIER
SECURITY
1. RAW MATERIALS
2. PLANTS & LOCATIONS
3. LABOR
a. UNION
b. CONTRACT EXPIRATION DATE
c. SITUATION
4. ENERGY SOURCES
5. CAPACITY (A/U)
6. FLEXIBILITY (A/U)
7. EPA COMPLIANCE (A/U)
8. FINANCIAL RATING (A/U)
9. CORPORATE MANAGEMENT STRENGTH (A/U)
10. CORPORATE MANAGEMENT COMMITMENT (A/U)
OVERALL SECURITY (A/U)

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

A - ACCEPTABLE
U - UNACCEPTABLE

*NEW JOHNSONVILLE, TN
NEWPORT, IND.

@NEW JOHNSONVILLE, TN
**BACK UP FUEL

Page 5 of 8
Class/Code 54,55,56,57,58

2051293823

R: REDACTED MATERIAL

EXPLANATION(S)
(REQUIRED FOR ALL "U" RATINGS)

INLAND - RICHMOND

INLAND MOVED INTO THEIR NEW PLANT IN DECEMBER, 1991, AND EXPERIENCED MAJOR PROBLEMS WITH THE NEW STARCH SYSTEM AND NEW CORRUGATOR CREATING SPORADIC BOARD DELAMINATION. IN APRIL, 1992, ALL ISSUES WERE RESOLVED AND THEIR ACCEPTANCE LEVEL WENT BACK TO 99.77 IN THIRD QUARTER 1992.

B-82

2051293824

Page 6 of 8
Class/Code 54,55,56,57,58

2051293825

1988 - 92 BUYING HISTORY AND 1992 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	28,521,604	29,682,644	32,238,071	31,982,252	32,126,631	
SUPPLIER	z	z	z	z	z	z
BOISE CASCADE (L)	10.5	10.8	11.1	13.3	6.4	
INLAND (C, L, R)	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	
PCA (C)	7.8	7.0	7.3	6.3	0.7	
STONE NO. & SO. (R)	15.3	11.1	13.1	9.8	5.4	
UNION CAMP	14.4	13.2	13.9	18.0	13.6	
WESTVACO (R & L)	2.8	3.8	1.9	0	0	
WEYERHAEUSER (C, L, R)	13.9	16.4	16.0	18.9	30.6	

B-83

R: REDACTED MATERIAL

9288621902

 Page 7 of 8
 Class/Code 54,55,56,57,58

2051293827

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

B-84

CASING

2051293828

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 02-080A Description Shiloh
Unit of Measure lb. Std. Cost \$ 4.188124 Est. \$ Purchase 15,077,246
Est. Usage 3,600,000 Est. Purch. Quantity 3,600,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Mafco	3,744,000	100	3,600,000	100	Annual	A
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	3,744,000	100.0	3,600,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

EXPLANATION Based on cigarette forecast of 331B.
Project reduction in usage due to
removal of shiloh from price value
brands.

Page 1 of 7
Class/Code 02-080A
Approval J. J. Lewis R. Kelly Date: 12/11/92
Prepared By C. M. Comes Date: 10/15/92

6288621902

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

- 1) To reduce cost of licorice without jeopardizing supply security or compromising the subjective quality of the finished products.

PURCHASING STRATEGIES:

- 1) Continue to pursue available alternatives with R&D. These alternatives include:

Timetable

- | | |
|---|--------------|
| a. development of 100% substitute licorice. | Ongoing |
| b. further reduction/removal of licorice from other brands. | Ongoing |
| c. development and qualification of new manufacturer. | 1993 |
| d. purchase of MAFCO by outside company. | TBD |
| e. substitution of licorice block with powder. | 4th QTR 1993 |
| f. begin implementation of alternatives. | 1st QTR 1994 |
- 2) Track status of alternate strategies with R&D.
 - 3) Complete economic and subjective evaluations of viable alternatives.

PURCHASING ISSUES:

PM is sole sourced on this product with MAFCO. Significant changes in the total business with MAFCO, including block, powder and cochise, may result in increased pricing and reduced supply security. The total relationship with MAFCO needs to be carefully monitored to avoid jeopardizing supply security on this critical item.

SAVINGS:

During the third quarter 1992, shiloh was removed from the price value brands which resulted in a projected annual cost avoidance of approximately \$845,000 and a 206,000 lbs reduction in annual requirements.

0888621902

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 02-080A

Unit of Measure lbs

Description Shiloh

Forecast Date October 22, 1992

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Malco	3,600,000	100.0	n	2,922,750	75.0	n	1,971,000	50.0	n	0	0.0	n	0	0.0	n
Unassigned	0	0.0		974,250	25.0	n	1,971,000	50.0	P	4,005,000	100.0	P	4,055,000	100.0	P
	3,600,000	100.0		3,897,000	100.0		3,942,000	100.0		4,005,000	100.0		4,055,000	100.0	

ISSUES:

Currently R&D has not found a subjectively acceptable "substitute" licorice. Initial tests evaluating 100% substitution do not look favorable. Project over the next 5 years Philip Morris will continue to have a requirement for block licorice. Projections for years 1994-1997 have been calculated based on 1993 forecasted mix (approximately 20% price value).

2051293831

SUPPLIER EVALUATION

SUPPLIER	MAFCO		
USING LOCATION	R, L, C		
A. COST			
DELIVERED COST/UOM	1.		
	2.	4.08/lb	
	3.		
REBATE OFFERED (YES/NO)	No		
OVERALL COST (A/U)	U		
B. QUALITY	<1% A		
% ACCEPTANCE	A		
OVERALL QUALITY (A/U)	A		
C. SERVICE (A/U)	A		
D. SECURITY (FROM PAGE(S)) A/U	A		
OVERALL EVALUATION (NUMBER OF "A's"; 1-4)	A		

A = ACCEPTABLE
 U = UNACCEPTABLE
 OR NUMERICAL RATING DEPENDING UPON MATERIAL

Page 4 of 7
 Class/Code 02-080A

2051293832

SECURITY VALUATION

SUPPLIER	Mafco		
SECURITY	Licorice Root China Turkey Russia Afghanistan		
1. RAW MATERIALS			
2. PLANTS & LOCATIONS	Camden, NJ		
3. LABOR			
a. UNION	Licorice and Paper Employees Assoc.		
b. CONTRACT EXPIRATION DATE	5/31/94		
c. SITUATION	A		
4. ENERGY SOURCES	#6 oil/electric		
5. CAPACITY (A/U)	28 M lbs		
6. FLEXIBILITY (A/U)	A		
7. EPA COMPLIANCE (A/U)	n/a		
8. FINANCIAL RATING (A/U)	A		
9. CORPORATE MANAGEMENT STRENGTH (A/U)	U		
10. CORPORATE MANAGEMENT COMMITMENT (A/U)	U		
OVERALL SECURITY (A/U)	A		

A = ACCEPTABLE

U = UNACCEPTABLE

OR NUMERICAL RATING DEPENDING UPON MATERIAL

Page 5 of 7
Class/Code 02-080A

8888621902

EXPLANATION(S)
(REQUIRED FOR ALL "U" RATINGS)

Cost

Since 1989, licorice costs have continued to increase at an unacceptable rate. PM is sole sourced on this product and there has been no competitive incentive to MacAndrews and Forbes to control costs.

Corporate Management Strength

MacAndrews and Forbes does not appear to have a strong succession plan in place for key positions. Meyer Laskins and Laughlin Maclean are both nearing retirement age and their departure could have major impact on the future success of the company.

C-6

Corporate Management Commitment

Ronald Perelman is President of the holding company that controls MAFCO. PM management does not have an interactive, mutually beneficial relationship with Perelman on this strategically important ingredient.

2051293834

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	4,284,904	*3,646,904	4,326,400	**3,910,400	***3,744,000	3,600,000
SUPPLIER	%	%	%	%	%	%
MAFCO	100	100	100	100	100	100

*Purchases appear low due to higher inventories at the end of 1988

**Inventories reduced from 2-3 months duration to 1-2 months duration

***Slight decrease due to change in formula for BRICA blend

Page 7 of 7
Class/Code 02-080A

9888621902

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 02-101A Description Police
Unit of Measure lb. Std. Cost \$ 4.2755 Est. \$ Purchase 4,685,948
Est. Usage 1,096,000 Est. Purch. Quantity 1,096,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Mafco	640,031	52.8	480,000	43.8	2 (Quarterly)	3.0
2. F & C	572,000	47.2	616,000	56.2	2 Annual	2.9
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	1,212,031	100.0	1,096,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

EXPLANATION

Page 1 of 8
Class/Code 02-101A
Approval J. J. Lewis R. Kelly Date: 12/10/92
Prepared By C. M. Comes Date: 10/15/92

9888621902

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED 1993 SAVINGS: \$ 135,000

STRATEGIES

Allocate larger percentage of business to Fertilizers and Chemicals (F&C) to take advantage of competitive price. Calculations assume 6% increase from F&C 1st QTR 1993 and an additional 6% increase forecasted for MAFCO 3rd QTR 1993. New standard under above scenario and proposed volume allocations equals 4.1516/lb.

TIMETABLE

1st QTR 1993

OTHER ISSUES:

- 1) Savings calculated are based on forecasted requirements. Due to uncertainty in export requirements, savings shown will vary depending on actual requirements.

Page 2 of 8
Class Code 02-101A

2051293837

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

- 1) To control escalating costs without jeopardizing supply security.

PURCHASING STRATEGIES:

- 1) Monitor volume allocations to ensure that maximum benefit is obtained from F&C's competitive pricing.
- 2) Pursue alternate source of powder as a back-up in case MAFCO becomes even less competitive due to shrinking volumes.
- 3) Visit Fertilizers and Chemicals to evaluate their manufacturing capabilities and potential to become the primary supplier of this strategic material.

PURCHASING ISSUES:

Volumes - PME has received approval for Project "Amethyst." Beginning in 1993, PME will no longer purchase powder from MAFCO USA. As a result, MAFCO will lose approximately 500,000 lbs of powder business. Even though PM USA licorice purchase will remain stable, this drop in total volume for PM companies may have a negative impact on pricing for the 2nd half of 1993. Longterm, Ron Perelman may decide to divest himself of the licorice manufacturing operations.

Page 3 of 8
Class Code 02-101A

8888621902

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class
Unit of Measure

02-101A
lbs

Description
Forecast Date

Police
October 22, 1992

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Matco	480,000	43.8	n	480,000	39.8	n	200,000	15.1	n	0	0.0	n	0	0.0	n
F&C	616,000	56.2	n	616,000	51.1	n	704,000	53.1	n	729,388	50.0	n	802,327	50.0	n
Unassigned	0	0.0	n	109,600	9.1	n	422,160	31.8	P	729,388	50.0	P	802,327	50.0	P
	1,096,000	100.0		1,205,600	100.0		1,326,160	100.0		1,458,776	100.0		1,604,654	100.0	

ISSUES:

Annual requirements are difficult to project due to a lack of accurate forecasts for export dry flavor requirements.
Five year buying plan projections assume a 10% annual growth rate using 1993 purchases as the baseline.
Assumes alternate supplier developed for block licorice also has the capacity to produce spray dried licorice.

6888621902

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		MacAndrews & Forbes	Fertilizers & Chem.	
	USING LOCATION		F/C, 20th St., R.	F/C, 20th St., R.	
<u>20</u>	A. COST FACTORS				
	50	1. DELIVERED COST/#	4.80/lb (2)	3.31/lb. (3)	
	10	2. VOLUME INCENTIVES	(2)	(3)	
	20	3. COST SAVINGS PROVIDED	(2)	(3)	
	20	4. PRICE LEADERSHIP	(2)	(3)	
	TOTAL COST RATING		2.0	3.0	
<u>20</u>	B. QUALITY FACTORS				
	30	1. % REJECTS	0% (3)	0% (3)	
	30	2. QUALITY CONTROL	(3)	(3)	
	40	3. PROCESSABILITY/ MACHINABILITY	(3)	2.5	
	TOTAL QUALITY RATING		3.0	2.8	
<u>10</u>	C. TOTAL SERVICE RATING		4	3	
<u>50</u>	D. TOTAL SECURITY RATING (SEE PAGE(S))		3.2	3.0	
100%	OVERALL RATING		3.0	3.0	

0488621902

Page 5 of 8
Class/Code 02-101A

SECURITY EVALUATION

WEIGHT	SUPPLIER	MacAndrews & Forbes	Fertilizers & Chem.	
<u>20</u>	D. SECURITY 1. RAW MATERIALS	Licorice Root 12-18 months (3)	Licorice Root 12 months (3)	
<u>10</u>	2. CAPACITY	28 M lbs. (4)	4.4 M (3)	
<u>5</u>	3. FLEXIBILITY	(3)	(3)	
<u>10</u>	4. SUPPLIER INVENTORY	1 1/2 months (3)	2 shipments - Israel 2 shipments - NC (3)	
<u>15</u>	5. PLANTS & LOCATIONS	Camden, NJ (3)	Haifa, Israel (2)	
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	Licorice and Paper Employees Assoc. 5/31/94 3 4	Histadrut April 1993 3 3	
<u>5</u>	7. ENERGY	#6 Oil/electric (3)	Draw from Central Complex (4) steam/electrical	
<u>N/A</u>	8. EPA COMPLIANCE	N/A	N/A	
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S))	(3)	(3)	
<u>5</u>	10. CORPORATE MANAGEMENT STRENGTH	(3)	(3)	
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	2.5	(3)	
100%	TOTAL SECURITY RATING	3.2	2.9	

C-13

1488621902

Page 6 of 8
Class/Code 02-101A

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Fertilizers & Chemicals	1991	1990	1989
---------------------------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	860	841	760
2. Enter Current Liabilities	527	584	514
3. Current Ratio (Line 1/Line 2)	1.63	1.44	1.47

DEBT TO ASSETS RATIO:

1. Enter Total Debt	984	991	930
2. Enter Total Assets	1,652	1,652	1,562
3. Debt To Assets Ratio (Line 1/Line 2)	0.59	0.59	0.59

PROFIT MARGIN ON SALES:

1. Enter Net Income	62	78	86
2. Enter Sales	1,096	1,107	1,042
3. Profit Margin On Sales (Line 1/Line 2)	5.6%	7.0	8.27

RETURN ON TOTAL ASSETS:

1. Enter Net Income	62	78	86
2. Enter Total Assets	1,652	1,652	1,562
3. Return On Total Assets (Line 1/Line 2)	3.7	4.7%	5.5%

EARNINGS PER SHARE:

0.05	0.06	0.06
------	------	------

CONFIDENTIAL..Not to be removed from Philip Morris Materials Purchasing Department.

Page 7 of 8
Class Code _____

205193842

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	900,000	976,000	1,232,000	1,072,000*	1,212,031	1,096,000
SUPPLIER	%	%	%	%	%	%
MAFCO	76	73	71	67	53	44
F&C	24	27	29	33	47	56

*1991 Purchases appear low due to a reduction in inventory policy from 2-3 months duration to 1-2 months.

Page 8 of 8
Class/Code 02-101A

2051293843

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 02-110A Description Petreo
Unit of Measure lb. Std. Cost \$ 1.3496 Est. \$ Purchase \$715,288
Est. Usage 526,576 lbs Est. Purch. Quantity 530,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Wilbur	145,000	27.3	250,000	48	Contract - Quarterly	3.4
2. Cocoline	100,000	18.8	150,000	28	Contract - Quarterly	2.9
3. Baker	286,000	53.9	80,000*	15	Contract - 1992	A
4. Unassigned	0	0	50,000	9		
5.						
6.						
7.						
8.						
9.						
10.						
Total	531,000	100.0	530,000	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

EXPLANATION

*Project inventory carryover from 1992. Dover manufacturing operations due to be closed November, 1992.
Based on forecast of 331B cigarettes.

Page 1 of 6
Class/Code 02-110A
Approval J. J. Lewis R. D. Kelly Date: 12/13/92
Prepared By C. M. Comes Date: 10/15/92

2051293844

OBJECTIVES/STRATEGIES

PURCHASING OBJECTIVES:

- 1) To minimize cost impact associated with the closure and subsequent replacement of W. Baker.
- 2) To continue to develop Cocoline as a minority supplier.
- 3) To maintain supply security and quality of this material.

PURCHASING STRATEGIES:

- 1) Continue to work with KGF to identify potential opportunities to consolidate purchases and suppliers for this product.
- 2) Coordinate necessary testing with R&D and suppliers to evaluate alternate sources.
- 3) Increase allocation of business with Cocoline to support their continued operations.
- 4) Utilize Wilbur as primary supplier for this product.

PURCHASING ISSUES:

Inventory - At the end of 1992, Baker will have 80,000 lbs of material in stock for PM. PM will withdraw this inventory 1st QTR 1993.

Supply Security - Cocoline has entered into a joint venture with a farming co-op, Cocoa AFrica. Cocoline will become a marketing agent for the West African Market.

Effective October, 1992, Cargill bought Wilbur from Empire of Caroline. This acquisition should strengthen Wilbur's presence in the industry because Cargill is one of the largest processors of cocoa in Europe.

2051293845

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class
Unit of Measure

02-110A

lbs

Description

Petreo

Forecast Date

October 15, 1992

	1993			1994			1995			1996			1997		
Supplier Name	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Wilbur	250,000	47.2		200,000	35.1		0	0.0		0	0.0		0	0.0	
Cocofine	150,000	28.3		175,000	30.7		200,000	34.7		250,000	42.7		250,000	42.2	
Baker	80,000	15.1		0	0.0		0	0.0		0	0.0		0	0.0	
Unassigned	50,000	9.4		195,000	34.2		377,000	65.3		336,000	57.3		343,000	57.8	
	530,000	100.0		570,000	100.0		577,000	100.0		586,000	100.0		593,000	100.0	

ISSUES:

Baker purchases for 1993 are carryovers from 1992. Baker Chocolate manufacturing operations will be discontinued during 4th QTR 1992.

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		Wilbur	Cocoline	
	USING LOCATION		R, L, & C.	R, L, & C.	
<u>20</u>	A. COST FACTORS				
	75 1. DELIVERED COST/#		\$1.3104/lb. (3)	\$1.294/lb. (3)	
	0 2. VOLUME INCENTIVES				
	0 3. COST SAVINGS PROVIDED				
	25 4. PRICE LEADERSHIP		2	2	
	TOTAL COST RATING		2.8	2.8	
<u>25</u>	B. QUALITY FACTORS				
	30 1. % REJECTS		0% (3)	0% (3)	
	30 2. QUALITY CONTROL		(3)	(2)	
	40 3. PROCESSABILITY/ MACHINABILITY		(3)	(3)	
	TOTAL QUALITY RATING		3	2.7	
<u>20</u>	C. TOTAL SERVICE RATING		4	3	
<u>35</u>	D. TOTAL SECURITY RATING (SEE PAGE(S))		3.6	2.9	
100%	OVERALL RATING		3.4	2.9	

2051293847

SECURITY EVALUATION

WEIGHT	SUPPLIER	Wilbur	Cocoline	
<u>10</u>	D. SECURITY 1. RAW MATERIALS	Cocoa Beans South America West Africa 1 month (4)	Cocoa Beans South America West Africa 4	
<u>10</u>	2. CAPACITY	60 million lbs./yr. (4)	8-9 million lbs./yr. (3)	
<u>10</u>	3. FLEXIBILITY	(3)	(3)	
<u>10</u>	4. SUPPLIER INVENTORY	Liquor - 1 month (3)	Liquor - None (2)	
<u>10</u>	5. PLANTS & LOCATIONS	Lititz, PA Mount Joy, PA (4)	Brooklyn, NY (3)	
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	Bakery & Confectionary AFL/CIO Local 272 10/13/94 3 4	Amalgamated Union Local 5 5/30/93 3 3	
<u>10</u>	7. ENERGY	Nat. gas, #6 Oil (3)	Nat. gas, #4 Oil (3)	
<u>N/A</u>	8. EPA COMPLIANCE	N/A	N/A	
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S) 5-6)	(3)	(2)	
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(4)	(3)	
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	4	(3)	
100%	TOTAL SECURITY RATING	3.6	2.9	

** Coal Cogeneration Facility, #6 Oil

Page 5 of 6
Class/Code 02-110A

8583621902

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	558,000	577,600	521,600	505,300	531,000	530,000
SUPPLIER	%	%	%	%	%	%
Wilbur	36	35	29	10	27	48
Cocoline	18	17	19	15	19	28
Baker	46	48	52	75	54	15
Unassigned						9

C-21

 Page 6 of 6
 Class/Code 02-110A

2051293849

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 02-140A Description Cochise

Unit of Measure lbs. Std. Cost \$.3229 Est. \$ Purchase \$1,517,630

Est. Usage 4,642,877 Est. Purch. Quantity 4,700,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. M. F. Neal	5,370,000	100	2,500,000	53.2	2 (Quarterly)	3.2
2. Wixon-Fontarome	0	0	1,100,000	23.4	1 (Annual)	3.2
3. Unassigned	0	0	1,100,000	23.4		
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	5,370,000	100.0	4,700,000*	100.0		

* 1. Contract 2. Purchase Order 3. Other _____

EXPLANATION

Based on implementation of liquid flavor system at the BL Plant beginning of 1993.

Based on forecast of 331B cigarettes.

Page 1 of 7
Class/Code 02-140A
Approval J. J. Lewis R. D. Kelly Date: 12/10/92
Prepared By C. M. Comes Date: 10/15/92

0588621902

OBJECTIVES/STRATEGIES/ISSUES

OBJECTIVE: TO REDUCE MATERIAL COSTS WITH NO CORRESPONDING DECREASE IN QUALITY, SERVICE, OR SECURITY.

PROJECTED ANNUAL SAVINGS: \$ 63,000

STRATEGIES

TIMETABLE

- | | |
|---|--------------|
| 1. Qualify Wixon-Fontarome as alternate supplier for 02-140A. | 4th QTR 1992 |
| 2. Allocate part of business with Wixon-Fontarome to take advantage of competitive pricing. | 1st QTR 1993 |

C-23

OTHER ISSUES:

1. PME is currently trying to qualify Jacob Suchard in Germany as a supplier of raw cocoa shell which PME would then have ground to their specifications. If approved PME would only utilize M.F. Neal as a back-up supplier.
2. R&D is evaluating the removal of cochise from the burley spray. This would result in a 80-90% reduction in PM USA's annual requirements. Anticipate cochise would still be used in dry flavor blends for export.

Page 2 of 7
Class Code 02-140A

2051293851

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

- 1) To ensure stable source of supply while maintaining the quality and reducing the product cost.

PURCHASING STRATEGIES:

- 1) Manage the business relationship with M. F. Neal and MAFCO to minimize short term impact of proposed volume allocations for 1993.
- 2) Coordinate qualification of alternate supplier to improve supply security and reduce costs.
- 3) Monitor ongoing projects in R&D and PME to assess longterm impact on requirements and suppliers.

PURCHASING ISSUES:

Quality: Continue to work with suppliers to ensure compliance with PM specifications and conformance with PM ingredient requirements.

Management: Continue to assess and monitor the management commitment at M. F. Neal and MAFCO. Evaluate the relationship between Wixon, KGF and PM USA to see if any synergy opportunities exist.

Page 3 of 7
Class/Code 02-140A

2051293852

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Unit of Measure

02-140A

lbs

Description

Forecast Date

Cochise

October 22, 1992

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
M. F. Neal	2,500,000	53.2		2,500,000	49.7		2,500,000	49.2		2,500,000	48.4		2,500,000	47.8	
Wixon	1,100,000	23.4		1,526,000	30.4		1,585,000	31.2		1,665,000	32.2		1,726,000	33.0	
Unassigned	1,100,000	23.4		1,000,000	19.9		1,000,000	19.7		1,000,000	19.4		1,000,000	19.1	
	4,700,000	100.0		5,026,000	100.0		5,085,000	100.0		5,165,000	100.0		5,226,000	100.0	

ISSUES:

1. R&D is evaluating the removal of cochise from burley spray and will make a final recommendation by the end of 1993.
2. Based on the results from the above study and on longterm PM ingredient requirements, R&D may evaluate the substitution of cochise with M-10. This project would impact projected requirements past 1993.

2051293853

SUPPLIER EVALUATION

	SUPPLIER	M. F. Neal	Wixon	
WEIGHT	USING LOCATION	R, L, and C.	R, L, and C.	
<u>20</u>	A. COST FACTORS			
65	1. DELIVERED COST/#	.3108/lb. (3)	.275/lb. (4)	
10	2. VOLUME INCENTIVES	(2)	(3)	
10	3. COST SAVINGS PROVIDED	(2)	(3)	
15	4. PRICE LEADERSHIP	(2)	(3)	
	TOTAL COST RATING	2.7	3.7	
<u>25</u>	B. QUALITY FACTORS			
60	1. % REJECTS	<1% (3)	N/A (3)	
20	2. QUALITY CONTROL	(2)	(3)	
20	3. PROCESSABILITY/ MACHINABILITY	(3)	(3)	
	TOTAL QUALITY RATING	2.8	3.0	
<u>20</u>	C. TOTAL SERVICE RATING	4.0	3	
<u>35</u>	D. TOTAL SECURITY RATING (SEE PAGE(S))	3.3	3.2	
100%	OVERALL RATING	3.2	3.2	

C-26

4988621902

Page 5 of 7
Class/Code 02-140A

SECURITY EVALUATION

WEIGHT	SUPPLIER	M. F. Neal	Wixon	
<u>10</u>	D. SECURITY 1. RAW MATERIALS	Cocoa Shells Whitman's, Nestle, (4)	Nestle Hershey Ambrosia (4)	
<u>10</u>	2. CAPACITY	15 million (4)	3 million (3)	
<u>5</u>	3. FLEXIBILITY	(3)	(3)	
<u>10</u>	4. SUPPLIER INVENTORY	250,000 lbs (3/4 months) (4)	(3)	
<u>20</u>	5. PLANTS & LOCATIONS	Richmond, VA (3)	Milwaukee, WI (3)	
<u>10</u>	6. LABOR a. UNION b. CONTRACT EXPIRATION DATE c. SITUATION d. SCORE	Bakery, Confectionary, Tobacco Wrkrs. Local 300 12/31/93 3 3	Non-Union N/A 3 4	
<u>5</u>	7. ENERGY	Electric (3)	Electric (3)	
<u>N/A</u>	8. EPA COMPLIANCE	N/A	N/A	
<u>10</u>	9. FINANCIAL STRENGTH (SEE PAGE(S))	(3)	(3)	
<u>10</u>	10. CORPORATE MANAGEMENT STRENGTH	(3)	(3)	
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	(3)	(3)	
100%	TOTAL SECURITY RATING	3.3	3.2	

C-27

5988621902

Page 6 of 7
Class/Code 02-140A

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	6,132 M	6,354 M	6,824 M	6,392 M	5,370,000	4,800,000
SUPPLIER	%	%	%	%	%	%
M. F. Neal	86	87	92	92	100	53
Springtree	14	13	8	8	0	0
Wixon	0	0	0	0	0	23
Unassigned						24

C-28

 Page 7 of 7
 Class/Code 02-140A

9588621902

1993 DIRECT MATERIAL BUYING PLAN
SUMMARY PAGE

Material Code/Super Class 03-010A Description SDA-4 Ethanol 190 proof
Unit of Measure Gal. Std. Cost \$ 2.00 Est. \$ Purchase REDACTED
Est. Usage 627,000 Est. Purch. Quantity 627,000

Vendor Name	Annual Purchases				Commitment (*)	Overall Rating
	Est. 1992		Proj. 1993			
	Units	%	Units	%		
1. Union Carbide	REDACTED				REDACTED	REDACTED
2. US Industrial	371,000	39.5	167,000	26.6	1 - 2 Year	3.22
3. Grain Processing	27,000	2.9	0	0		
4.						
5.						
6.						
7.						
8.						
9.						
10.						
Total	REDACTED					

* 1. Contract 2. Purchase Order 3. Other _____

EXPLANATION Purchase volumes reflect implementation of Project Grain.

2988621902

Page 1 of 10
Class/Code 03-010A
Approval G. L. Nixon Date: 12/1/92
Prepared By G. L. Nixon Date: 10/15/92

OBJECTIVES/STRATEGIES/ISSUES

PURCHASING OBJECTIVES:

- o Maintain a high level of security and service while controlling cost as Philip Morris continues to reduce their requirement for ETOH.
- o Monitor qualification of an Alternant Denaturant.

PURCHASING STRATEGIES:

- o As PM's requirement continues to decline, we should consider sole sourcing from Union Carbide.
- o Monitor the qualification of an alternant denaturant which would save an additional \$125 M/yr., and address regulatory concerns.

FUTURE SUPPLY OUTLOOK:

- o Supply of industrial alcohol will be tight next year due to the improved economics of selling alcohol for fuel. The clean air act will probably continue to firm prices. The strength of our relationship may be the best negotiating tool to be used over the next 18 months. The only likely reversal of this trend could be a political turnaround toward the corn growers due to an EPA concern over using ETOH/ETBE - it increases smog.

INVENTORY POLICY:

- o 15-20 days

Page 2 of 10
Class Code 03-010A

2051293858

Philip Morris U.S.A.
Materials Purchasing

1993 Direct Material Buying Plan

Five-Year Buying Plan Projection

Material Code/Super Class 03-010A

Unit of Measure gal

Description

SDA4 190 Proof Alcohol

Forecast Date

November 1992

Supplier Name	1993			1994			1995			1996			1997		
	Units	%	P	Units	%	P	Units	%	P	Units	%	P	Units	%	P
Union Carbide	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		
USI	167,000	26.6	n	181,000	28.2	n	189,000	29.1	n	199,000	30.2	n	207,000	31.0	n
	REDACTED			REDACTED			REDACTED			REDACTED			REDACTED		

ISSUES:

Project Grain is aimed at ultimately eliminating the use of ETOH. Phase I will be implemented February 1993, a 34% reduction. Phase II, which is out on POL, will reduce consumption by another third if successful. The plan above does not include any reduction beyond Phase I, but if Phase II is implemented, I would consolidate to only one supplier - Union Carbide.

2051293859

SUPPLIER EVALUATION

WEIGHT	SUPPLIER		US Industries		Union Carbide	
	USING LOCATION		L/V	C/C	REDACTED	
<u>20</u>	A. COST FACTORS					
	40	1. DELIVERED COST/#	1.97	3	REDACTED	
	0	2. VOLUME INCENTIVES		n/a	R	
	30	3. COST SAVINGS PROVIDED		4	REDACTED	
	30	4. PRICE LEADERSHIP		3	4	
	TOTAL COST RATING		3.30		R	
<u>20</u>	B. QUALITY FACTORS					
	50	1. % REJECTS	4.0% (2 of 50)	3	R	4
	50	2. QUALITY CONTROL		4		4
	0	3. PROCESSABILITY/ MACHINABILITY		n/a	R	
	TOTAL QUALITY RATING		3.50			
<u>20</u>	C. TOTAL SERVICE RATING		3.00		REDACTED	
<u>40</u>	D. TOTAL SECURITY RATING (SEE PAGE(S))		3.15			
100%	OVERALL RATING		3.22		REDACTED	

2051293860

Page 4 of 10
Class/Code 03-010A

SECURITY EVALUATION

WEIGHT	SUPPLIER	USI	U.C.	
<u>15</u>	D. SECURITY 1. RAW MATERIALS	Ethylene Nicotine Sulfate 4	REDACTED	
<u>10</u>	2. CAPACITY	60 M gals/year 3	REDACTED	
<u>10</u>	3. FLEXIBILITY	Alternate Feedstock sourcing 3	REDACTED	
<u>10</u>	4. SUPPLIER INVENTORY	6-8 weeks 3	REDACTED	
<u>15</u>	5. PLANTS & LOCATIONS	Tuscola, Ill. 3	REDACTED	
<u>10</u>	6. LABOR a. UNION	Intl. Union of Operating Engineers 0		
	b. CONTRACT EXPIRATION DATE	8/1/93 0		
	c. SITUATION	Good 3	REDACTED	
	d. SCORE	3		
<u>5</u>	7. ENERGY	Coal/Electric 4	REDACTED	
<u>5</u>	8. EPA COMPLIANCE	3	REDACTED	
<u>5</u>	9. FINANCIAL STRENGTH (SEE PAGE(S))	2	REDACTED	
<u>5</u>	10. CORPORATE MANAGEMENT STRENGTH	3	REDACTED	
<u>10</u>	11. CORPORATE MANAGEMENT COMMITMENT	3	REDACTED	
100%	TOTAL SECURITY RATING	3.15	REDACTED	

1988621902

Page 5 of 10
Class/Code 03-010

R: REDACTED MATERIAL

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: USI	1992	1991	1990
-------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets		987.3	897.1
2. Enter Current Liabilities		438.0	427.9
3. Current Ratio (Line 1/Line 2)		2.25	2.10

DEBT TO ASSETS RATIO:

1. Enter Total Debt		3,402.2	3,323
2. Enter Total Assets		3,198.9	3,220
3. Debt To Assets Ratio (Line 1/Line 2)		1.06	1.03

PROFIT MARGIN ON SALES:

1. Enter Net Income		(123.3)	21.2
2. Enter Sales		2,532.4	2,656.1
3. Profit Margin On Sales (Line 1/Line 2)		(4.9%)	0.8%

RETURN ON TOTAL ASSETS:

1. Enter Net Income		(123.3)	21.2
2. Enter Total Assets		3,198.9	3,220
3. Return On Total Assets (Line 1/Line 2)		(3.9%)	0.66%

EARNINGS PER SHARE:

	(4.26)	.79
--	--------	-----

CONFIDENTIAL..Not to be removed from Philip Morris Materials Purchasing Department.

Page 6 of 10
Class Code 03-010A

7988671907

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: USI	1989	1988	1987
-------------	------	------	------

CURRENT RATIO:

1. Enter Current Assets	868	1,339	836
2. Enter Current Liabilities	503	1,720	577
3. Current Ratio (Line 1/Line 2)	1.73	.78	1.45

DEBT TO ASSETS RATIO:

1. Enter Total Debt	3,176	3,315	1,536
2. Enter Total Assets	3,004	2,908	2,581
3. Debt To Assets Ratio (Line 1/Line 2)	1.06	1.14	.59

PROFIT MARGIN ON SALES:

1. Enter Net Income	247	383	252
2. Enter Sales	2,671	2,922	2,264
3. Profit Margin On Sales (Line 1/Line 2)	9.3%	13.1%	11.1%

RETURN ON TOTAL ASSETS:

1. Enter Net Income	247	383	252
2. Enter Total Assets	3,004	2,908	2,581
3. Return On Total Assets (Line 1/Line 2)	8.2%	13.2%	9.7%

EARNINGS PER SHARE:

9.85	14.57	7.75
------	-------	------

CONFIDENTIAL..Not to be removed from Philip Morris Materials Purchasing Department.

Page 7 of 10
Class Code 03-010A

8988621902

FINANCIAL ANALYSIS WORKSHEET
(MILLIONS OF DOLLARS; ALL DATA AS OF DECEMBER 31, 1991 UNLESS OTHERWISE INDICATED.)

VENDOR: Union Carbide	1992
-----------------------	------

CURRENT RATIO:

1. Enter Current Assets	
2. Enter Current Liabilities	
3. Current Ratio (Line 1/Line 2)	

DEBT TO ASSETS RATIO:

1. Enter Total Debt	
2. Enter Total Assets	
3. Debt To Assets Ratio (Line 1/Line 2)	

PROFIT MARGIN ON SALES:

1. Enter Net Income	
2. Enter Sales	
3. Profit Margin On Sales (Line 1/Line 2)	

RETURN ON TOTAL ASSETS:

1. Enter Net Income	
2. Enter Total Assets	
3. Return On Total Assets (Line 1/Line 2)	

EARNINGS PER SHARE:

--

CONFIDENTIAL..Not to be removed from Philip Morris Materials Purchasing Department.

1988621502

Page 8 of 10
Class Code 03-010A

2051293865

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

R: REDACTED MATERIAL

1988 - 92 BUYING HISTORY AND 1993 BUYING PLAN

	1988	1989	1990	1991	1992 (E)	1993 (P)
TOTAL QUANTITY	851 M	831 M	911 M	905 M	939 M	627 M
SUPPLIER	%	%	%	%	%	%
USI	56.3	50.0	40.0	40.0	39.5	26.2
Union Carbide	REDACTED		REDACTED	REDACTED	REDACTED	REDACTED
Devon	9.1	11.0	6.0	0	0	0
GPC	11.1	14.0	20.0	20.0	2.9	0

C-38

R: REDACTED MATERIAL

 Page 10 of 10
 Class/Code 03-010A

9988621902